



Contents

Chairman's Report.....	02	SMART SECTOR	
Schedule Four Requirements	03	NZ Property Fund (NPF).....	285
Summary of Funds.....	05	Australian Property Fund (ASP)	305
SMART LARGE		Australian Resources Fund(ASR).....	325
NZ Top 50 Fund (FNZ).....	06	Australian Financials Fund (ASF)	345
NZ Top 10 Fund (TNZ).....	27	SMART DIVIDEND	
Australian Top 20 Fund (OZY)	47	NZ Dividend Fund (DIV).....	365
US 500 Fund (USF)	67	Australian Dividend Fund (ASD).....	385
Europe Fund (EUF)	87	SMART INCOME	
Asia Pacific Fund (APA).....	107	Global Bond Fund (GBF).....	405
Emerging Markets Fund (EMF).....	127	NZ Bond Fund (NZB).....	434
Total World Fund (TWF)	147	NZ Cash Fund (NZC).....	457
US Large Value Fund (USV)	167	Corporate Governance	480
US Large Growth Fund (USG).....	187		
SMART MEDIUM			
NZ Mid Cap Fund (MDZ).....	206		
Australian Mid Cap Fund (MZY)	227		
US Mid Cap Fund (USM)	247		
SMART SMALL			
US Small Cap Fund (USS).....	266		

Chairman's Report

Dear Unitholder,

I am pleased to present the Smartshares Annual Report for 2018, which covers the 23 Exchange Traded Funds (ETFs) offered by Smartshares. Smartshares is a proud New Zealand based company providing the country's broadest range of passive funds. Our products provide local investors with an accessible, low-cost and diversified investment option.

The last financial year has continued to see an impressive growth in Smartshares applications. Today we have more than 13,000 unitholders who are investing in multiple funds, demonstrating the broad appeal of our product range. Total unitholders increased 37% in 2017 and new retail applications grew a record 84% on the prior year.

Strong uptake has continued in 2018 following the launch of our online investor portal in December 2017. Investors can now administer their regular savings plans, make lump sum contributions and invest in additional ETFs all online using the CSN and FIN and without contacting the Smartshares team. See the existing investor portal at www.smartshares.co.nz

Total Smartshares ETF funds under management increased 21% to just under \$2.2 billion as at 31 March 2018. This growth has allowed Smartshares to pass on its commitment to provide investors with a low cost investment offering announcing its second fee reduction in 12 months. In September 2017, the management fee on the NZ Mid Cap Fund (MDZ) was reduced to 0.60% p.a. from 0.75%. There is a growing appetite from investors for low-cost investment options, and with more than 20 years of experience in passive funds management, we remain committed to this approach. The NZ Mid Cap Fund was also recognised as the New Zealand Equity Sector Fund of the year at the 2017 FundSource Awards, a terrific result after producing strong returns for investors in recent years.

Leadership Update

In February 2018, we welcomed Hugh Stevens as the new CEO of Smartshares Limited. Hugh is the former Head of Private Equity and Real Estate Fund Services for BNP Paribas based in Paris, France, and prior to that was Head of BNP Paribas Securities Services New Zealand.

He has an extensive fund management and administration background, which includes sales, product development and IT experience. Hugh replaced Aaron Jenkins, who joined NZX in 2014. Aaron led Smartshares through its acquisition of SuperLife, which saw total funds under management grow from \$500 million to more than \$2.6 billion today. During this time, the Smartshares fund offering expanded from five to 23 ETFs.

In October 2017, Bevan Miller stepped down as Chair of Smartshares. Like Aaron, Bevan has made an enormous contribution to Smartshares during his time with the business. On behalf of the board and management team, I thank both Aaron and Bevan for their dedication to our business during an important chapter in our history.

Following Bevan's resignation, NZX CEO Mark Peterson was appointed as a director of Smartshares. Mark has extensive experience working in senior roles across the financial services sector, having previously worked for ANZ and FNZC. Prior to becoming CEO, he held the Head of Markets Position at NZX.

In concluding, I would like to sincerely thank you for your investment in Smartshares.



Paul Baldwin
Chairman

Schedule Four Requirements

Details of scheme

Name of scheme: Smartshares Exchange Traded Funds (Scheme)

Type of scheme: Managed fund – other

Name of the manager: Smartshares Limited (Smartshares)

Name of the supervisor: Public Trust

Date and status of the latest PDS: 21 December 2017 – Open for applications

Date of the latest fund update for each fund to which the scheme relates: 31 March 2018

Reference to the scheme’s financial statements: The Scheme’s latest financial statements for the period ended 31 March 2018, including the auditor’s report relating to those statements, that have been lodged with the Registrar are included in this annual report.

Information on contributions and scheme participants

Number of managed investment products on issue at the start of the accounting period: 773,832,984

Number of managed investment products on issue at the end of the accounting period: 854,374,208

Changes relating to the scheme

No material changes were made to the scheme during the 2017 accounting period.

Other information for particular types of managed funds

Fund	Unit Price 31 March 2018	Unit Price 31 March 2017
NZ Top 50 Fund	\$2.430	\$2.197
NZ Mid Cap Fund	\$4.741	\$4.140
Australian Mid Cap Fund	\$6.762	\$6.356
Australian Top 20 Fund	\$3.425	\$3.774
NZ Top 10 Fund	\$1.481	\$1.368
Australian Financials Fund	\$7.254	\$8.441
Australian Resources Fund	\$4.147	\$3.742
NZ Dividend Fund	\$1.071	\$1.108
Australian Dividend Fund	\$1.586	\$1.772
Australian Property Fund	\$1.307	\$1.372
Asia Pacific Fund	\$2.011	\$1.830
Emerging Markets Fund	\$1.281	\$1.147
Europe Fund	\$1.605	\$1.474
Total World Fund	\$2.022	\$1.874
US 500 Fund	\$6.631	\$6.204
US Large Growth Fund	\$3.840	\$3.458
US Mid Cap Fund	\$4.207	\$3.967
US Small Cap Fund	\$4.018	\$3.794
US Large Value Fund	\$2.839	\$2.742

Fund	Unit Price 31 March 2018	Unit Price 31 March 2017
NZ Property Fund	\$1.078	\$1.055
NZ Cash Fund	\$2.986	\$2.991
NZ Bond Fund	\$3.025	\$2.986
Global Bond Fund	\$3.142	\$3.101

Changes to persons involved in the scheme

Directors of the manager: During the accounting period, Bevan Keith Miller resigned as a director of Smartshares and Mark John Peterson was appointed on 27 October 2017.

Aaron Jenkins resigned as NZX Head of Funds Management, effective 5 February 2018. Hugh Stevens was appointed Chief Executive Officer of Smartshares Limited effective 5 February 2018.

Supervisor or any of its directors: Ian Fitzgerald was appointed as a director of Public Trust on 22 May 2017. Sarah Roberts retired as a director of Public Trust on 31 August 2017 at which time Ian Fitzgerald was appointed Chair. Lyn Lim also retired as a director on 30 June 2017.

How to find further information

Further information relating to the Scheme and funds, including the Product Disclosure Statement, financial statements, annual reports, fund updates and the SIPO, is available on the offer register and the scheme register at www.business.govt.nz/disclose.

The information set out above is also available at www.smartshares.co.nz or by contacting Smartshares. Details of an investor's investment is available at www.linkmarketservices.co.nz. This information is available free of charge.

General information about the Scheme and funds is available at www.smartshares.co.nz.

Contact details and complaints

Manager

The manager's contact details are:
Smartshares Limited
PO Box 105262
Auckland 1143

Telephone: 0800 808 780

Email: smartshares@smartshares.co.nz

Complaints about the Scheme can be made to the manager using the contact details set out above.

Supervisor

The supervisor's contact details are:

Public Trust
PO Box 1598, Shortland Street
Auckland 1140

Telephone: (09) 985 5300

Email: enquiry@trustee.co.nz

Complaints about the Scheme can be made to the supervisor using the contact details set out above.

Share Registrar

The registrar's contact details are:

Link Market Services

PO Box 91976

Auckland 1142

Phone: 09 375 5998

Email: enquiries@linkmarketservices.co.nz

Independent dispute resolution scheme

The independent dispute resolution scheme's contact details are:

Financial Services Complaints Limited ("FSCL")

PO Box 5967

Wellington 6140

Telephone: 0800 347 257

Email: complaints@fscl.org.nz

Smartshares is a member of FSCL, which is an independent dispute resolution scheme. Complaints about the Scheme can be made to FSCL using the contact details set out above. FSCL will not charge any fees to the complainant when investigating or resolving a complaint.

Summary of Funds

Fund Name	Launch Date	Total Fund Charges	Distribution Payment Date	Funds Under Management	GROSS FUND PERFORMANCE		
					1 year	3 Years Annualised	5 Years Annualised
SMART LARGE							
NZ Top 50 (FNZ)	10 dec 2004	0.50%	Jun/Dec	\$383,632,034	15.75%	12.61%	14.26%
NZ Top 10 (TNZ)	11 jun 1996	0.60%	Jun/Dec	\$80,177,521	13.53%	11.45%	11.88%
Australian Top 20 (OZY)	27 feb 1997	0.60%	Jun/Dec	\$122,554,060	-5.83%	0.32%	1.55%
US 500 (USF)	29 jul 2015	0.34%	Jun/Dec	\$164,427,490	7.57%		
Europe (EUF)	29 jul 2015	0.55%	Jun/Dec	\$139,855,247	10.86%		
Asia Pacific (APA)	29 jul 2015	0.55%	Jun/Dec	\$91,448,047	11.35%		
Emerging Markets (EMF)	29 jul 2015	0.59%	Jun/Dec	\$87,250,353	13.42%		
Total World (TWF)	29 jul 2015	0.55%	Jun/Dec	\$32,799,938	9.10%		
US Large Value (USV)	29 jul 2015	0.51%	Jun/Dec	\$54,767,713	4.76%		
US Large Growth (USG)	29 jul 2015	0.51%	Jun/Dec	\$20,024,583	11.03%		
SMART MEDIUM							
NZ Mid Cap (MDZ)	16 jun 1997	0.60%	Jun/Dec	\$97,392,784	19.20%	14.62%	17.10%
Australian Mid Cap (MZY)	27 sep 2004	0.75%	Jun/Dec	\$112,300,380	8.52%	11.71%	8.86%
US Mid Cap (USM)	29 jul 2015	0.51%	Jun/Dec	\$56,073,608	6.03%		
SMART SMALL							
US Small Cap (USS)	29 jul 2015	0.51%	Jun/Dec	\$48,334,723	5.91%		
SMART SECTOR							
NZ Property (NPF)	12 nov 2015	0.54%	Jun/Dec	\$41,766,559	7.68%		
Australian Property (ASP)	16 dec 2014	0.54%	Jun/Dec	\$32,890,681	-0.85%	6.44%	
Australian Resources (ASR)	7 apr 2015	0.54%	Jun/Dec	\$30,825,062	13.87%		
Australian Financials (ASF)	7 apr 2015	0.54%	Mar/Sep	\$30,396,775	-9.70%		
SMART DIVIDEND							
Australian Dividend (ASD)	16 dec 2014	0.54%	Jun/Dec	\$28,428,722	-6.49%	0.36%	
NZ Dividend (DIV)	7 apr 2015	0.54%	Jun/Dec	\$22,789,843	3.18%		
SMART INCOME							
Global Bond (GBF)	12 nov 2015	0.54%	Mar/Jun/Sep/Dec	\$170,215,996	3.28%		
NZ Bond (NZB)	12 nov 2015	0.54%	Mar/Jun/Sep/Dec	\$211,755,631	4.89%		
NZ Cash (NZC)	12 nov 2015	0.33%	Mar/Jun/Sep/Dec	\$116,231,933	2.59%		
Total Smartshares Funds				\$2,176,339,681			

NZ Top 50 Fund (FNZ)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the NZ Top 50 Fund

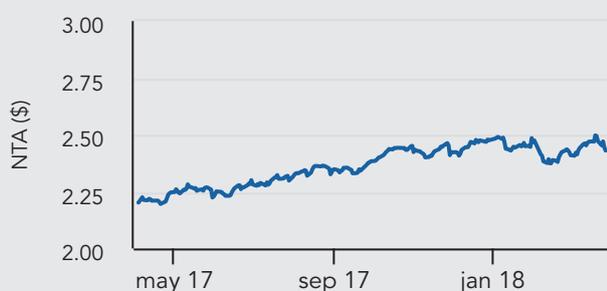
Report to Unitholders

HIGHLIGHTS

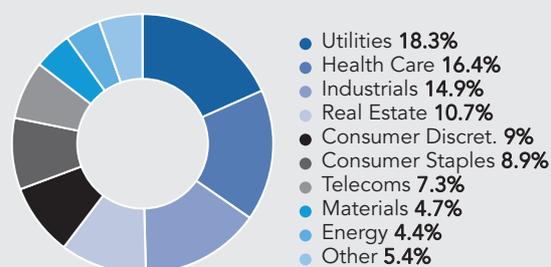
Launch Date 10-Dec-04

	March 2018	March 2017
Net Tangible Assets (NTA)	\$2.430	\$2.197
Units On Issue	157,851,179	95,573,079
Funds Under Management	\$383,632,034	\$209,928,245
Gross Distribution	\$0.106	\$0.078
Gross Distribution Yield	4.37%	3.54%
Gross Return	15.75%	7.13%
Total Fund Charges	0.50%	0.50%
Distributions paid	Semi-annual	

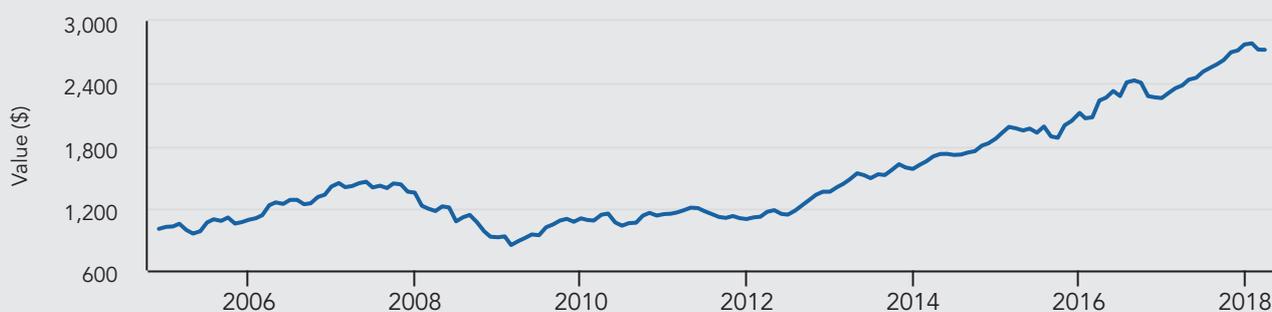
NTA Per Unit



Sector Allocation



Growth of \$1000*



*Since inception with all distributions reinvested.

NZ TOP 50 FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ TOP 50 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Top 50 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ TOP 50 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
INCOME			
Dividend income		11,122	3,954
Securities lending income		48	15
Net changes in fair value of financial assets at fair value through profit or loss		<u>23,699</u>	<u>12,313</u>
Total income		<u>34,869</u>	<u>16,282</u>
EXPENSES			
Management fees expense	6	(1,282)	(403)
Miscellaneous expenses		<u>(8)</u>	<u>(2)</u>
Total expenses		<u>(1,290)</u>	<u>(405)</u>
Profit before tax		33,579	15,877
Income tax expense	1	<u>(79)</u>	<u>(100)</u>
Profit after tax		33,500	15,777
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>33,500</u>	<u>15,777</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>29.89</u>	<u>16.71</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the year/period		210,313	-
Total comprehensive income for the year/period		<u>33,500</u>	<u>15,777</u>
Subscriptions from unitholders	5	149,135	206,848
Redemptions by unitholders	5	(958)	(9,525)
Distributions to unitholders	4	<u>(7,972)</u>	<u>(2,787)</u>
		<u>140,205</u>	<u>194,536</u>
Unitholders' funds at the end of the year/period		<u><u>384,018</u></u>	<u><u>210,313</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		5,096	4,946
Receivables		2,778	1,613
Investments in equity securities held at fair value through profit or loss		377,448	208,969
Unsettled sales of investments		<u>369</u>	<u>-</u>
TOTAL ASSETS		<u>385,691</u>	<u>215,528</u>
LIABILITIES			
Management fees payable	6	(16)	(9)
Taxation payable		-	(13)
Deferred tax liability		(92)	(62)
Funds held for unit purchases		(1,194)	(2,529)
Other current liabilities		(2)	(2)
Unsettled purchases of investments		<u>(369)</u>	<u>(2,600)</u>
TOTAL LIABILITIES		<u>(1,673)</u>	<u>(5,215)</u>
UNITHOLDERS' FUNDS		<u>384,018</u>	<u>210,313</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>385,691</u>	<u>215,528</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.




Director

Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	9,956	2,346
Securities lending income received	49	10
<i>Cash was applied to:</i>		
Management fees paid	(1,275)	(394)
Taxation paid	(62)	(25)
Miscellaneous expenses paid	<u>(8)</u>	<u>(2)</u>
Net cash flows from operating activities	<u>8,660</u>	<u>1,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	38,726	7,969
<i>Cash was applied to:</i>		
Purchase of investments	(54,923)	(12,711)
Net repayments to the Manager	<u>-</u>	<u>31</u>
Net cash flows from investing activities	<u>(16,197)</u>	<u>(4,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	15,666	10,569
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(7)	(61)
Distributions paid to unitholders	<u>(7,972)</u>	<u>(2,786)</u>
Net cash flows from financing activities	<u>7,687</u>	<u>7,722</u>
Net increase in cash and cash equivalents	150	4,946
Cash and cash equivalents at the beginning of year/period	<u>4,946</u>	<u>-</u>
Cash and cash equivalents at the end of year/period	<u>5,096</u>	<u>4,946</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	33,500	15,777
Net changes in fair value of financial assets at fair value through profit or loss	(23,699)	(12,313)
(Decrease)/increase in taxation payable	(13)	13
Increase in deferred tax liability	30	62
Increase in management fees payable	7	9
Increase in receivables	<u>(1,165)</u>	<u>(1,613)</u>
Net cash flows from operating activities	<u>8,660</u>	<u>1,935</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Top 50 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/NZX 50 Portfolio Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year/period presented.

Comparative period

These financial statements are for the year ended 31 March 2018. The comparative figures are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established. Foreign exchange gains and losses resulting from the settlement of dividends received from the companies incorporated overseas are recognised in the Statement of Comprehensive Income.

Distributions to unitholders

Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held are attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from its investments in securities and securities lending income after the deduction of management fees. The Fund is able to utilise imputation credits when they arise. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends and tax losses to be carried forward.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all of its income from its Australian equity investments.

Changes in accounting policies and accounting standards adopted during the period

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	31 March 2018 \$'000	31 March 2017 \$'000
Tax expense comprises:		
Current tax expense	(46)	(38)
Prior period adjustment	(3)	-
Deferred tax movement	<u>(30)</u>	<u>(62)</u>
Total tax expense	<u>(79)</u>	<u>(100)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

	31 March 2018 \$'000	31 March 2017 \$'000
Income tax expense		
Profit before tax	<u>33,579</u>	<u>15,877</u>
Income tax using the statutory income tax rate 28%	(9,402)	(4,446)
Net changes in fair value of financial assets	6,634	3,447
Non taxable income	472	441
Gross up of imputation credits	<u>(863)</u>	<u>(178)</u>
	(3,159)	(736)
Less imputation credits and other tax credits	3,083	636
Prior period adjustment	<u>(3)</u>	<u>-</u>
Income tax expense as per Statement of Comprehensive Income	<u>(79)</u>	<u>(100)</u>

	31 March 2018 \$'000	31 March 2017 \$'000
Deferred tax		
Opening balance	(62)	-
Current period movement	(30)	(62)
Prior period adjustment	<u>-</u>	<u>-</u>
Closing balance	<u>(92)</u>	<u>(62)</u>

	31 March 2018 \$'000	31 March 2017 \$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	1,787	1,203

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 31 March 2018.

	31 March 2018			31 March 2017		
	Level 1 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets</i>						
Equity securities	377,315	133	377,448	208,969	-	208,969

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

As at 31 March 2018 there was one transfer (31 March 2017: none) from level 1 to level 3 totalling \$133,000 (31 March 2017: \$nil).

The Fund's level 3 investment is an unquoted investment held by the Fund which is reviewed on a monthly basis by the Fund's oversight committee. The Fund initially valued the investment using the entry price and subsequently revalued the investment per the Fund's 'Measurement' policy in the Statement of Accounting Policies.

3. EARNINGS PER UNIT

The basic earnings/(losses) per unit (EPU) is calculated by dividing the net profit/(loss) attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2018	31 March 2017
Profit after tax (\$'000)	33,500	15,777
Weighted average number of units ('000)	112,086	94,397
Basic and diluted earnings per unit (cents per unit)	29.89	16.71

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	31 March	Distribution per unit (cents per unit)	31 March 2018 \$'000	31 March 2017 \$'000
November 2016 (paid December 2016)	31/03/2017	2.99	-	2,787
May 2017 (paid June 2017)	31/03/2018	3.52	3,491	-
November 2017 (paid December 2017)	31/03/2018	4.26	4,481	-
			7,972	2,787

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 157,851,000 (31 March 2017: 95,573,000) units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 62,678,000 (31 March 2017: 99,980,000) for total value of \$149,135,000 (31 March 2017: \$206,848,000).

The number of units redeemed during the year ended 31 March 2018 was 400,000 (31 March 2017: 4,407,000) for total value of \$958,000 (31 March 2017: \$9,525,000)

	31 March 2018 '000	31 March 2017 '000
Movement in the number of units		
Balance at the beginning of the year/period	95,573	-
Subscriptions received during the year/period	62,678	99,980
Redemptions made during the year/period	<u>(400)</u>	<u>(4,407)</u>
Units on issue at the end of the year/period	<u>157,851</u>	<u>95,573</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$2.43279 (31 March 2017: \$2.20055). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund holds shares in NZX Limited as NZX Limited shares constitute part of the Index that the Fund tracks.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by Smartshares Limited, a wholly owned subsidiary of NZX Limited, held 72,476,689 (31 March 2017: 24,241,640) units valued at \$176,143,000 (31 March 2017: \$53,247,000) in the Fund.

Distributions

The Fund paid distributions of \$1,922,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$689,000). The balance remaining as payable at the end of the year was \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$1,282,000 (31 March 2017: \$403,000) with \$16,000 (31 March 2017: \$9,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2018, total direct purchase application fees amounted to \$34,000 (31 March 2017: \$13,000) and the total interest earned on cash at banks amounted to \$82,000 (31 March 2017: \$21,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

As at 31 March 2018 the Fund had a payable to the Manager of \$2,000 (31 March 2017: payable to the Manager of \$2,000).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

The Fund has a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2018 the value of securities the Fund had on loan to NZCL was \$6,414,000 (31 March 2017: \$5,033,000).

Total security lending fees for the year ended 31 March 2018 amounted to \$48,000 (31 March 2017: \$15,000), with the accrued fees due to the Fund of \$4,000 (31 March 2017: \$4,000). The fees earned by the Fund represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in accordance to the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	31 March 2018 \$'000	31 March 2017 \$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	5,096	4,946
Receivables	2,778	1,613
Unsettled sales of investments	369	-
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	377,448	208,969
<i><u>Other financial liabilities</u></i>		
Management fees payable	(16)	(9)
Funds held for unit purchases	(1,194)	(2,529)
Other current liabilities	(2)	(2)
Unsettled purchases of investments	(369)	(2,600)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease of equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$37,745,000 (31 March 2017: \$20,897,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at the reporting date are:

	31 March 2018 \$'000	31 March 2017 \$'000
Cash and cash equivalents	5,096	4,946
Receivables	2,778	1,613
Unsettled sales of investments	369	-

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	31 March 2018		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	1,589	AA-	2,925	AA-
BNZ	<u>3,507</u>	AA-	<u>2,021</u>	AA-
	<u>5,096</u>		<u>4,946</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund would encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities will fail to deliver equivalent securities on termination of a loan or would encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund will result in errors, fraud or misconduct that will cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2018, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ TOP 50 FUND



Independent Auditor's Report

To the unitholders of NZ Top 50 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Top 50 Fund (the fund) on pages 3 to 15:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$3,857,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ TOP 50 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 97.9% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ TOP 50 FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	1,814	29.07%	802,725	0.47%
1,001-5,000	2,057	32.96%	5,287,585	3.07%
5,001-10,000	932	14.93%	6,744,133	3.92%
10,001-50,000	1,251	20.04%	26,212,148	15.24%
50,001-100,000	105	1.68%	6,810,078	3.96%
Greater than 100,000	82	1.31%	126,194,510	73.35%
TOTAL	6,241	100.00%	172,051,179	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	85,837,111	49.89%
Investment Custodial Services Limited	15,935,422	9.26%
FNZ Custodians Limited	2,327,639	1.35%
Investment Custodial Services Limited	1,740,202	1.01%
Robin Michael Brews	1,648,470	0.96%
David Robert Rich & Carolyn Frances Elley	1,477,524	0.86%
Investment Custodial Services Limited	1,269,620	0.74%
Citibank Nominees (Nz) Ltd	1,084,638	0.63%
Sharesies Nominee Limited	962,185	0.56%
Custodial Services Limited	679,558	0.39%
Philippa Jane Stubbins & Comac Trustee Limited	590,811	0.34%
James Mc Daniel Thomas & Teri Jo Thomas	572,518	0.33%
Ajd Family Nominees Limited	555,348	0.32%
Adminis Custodial Nominees Ltd Class D	426,624	0.25%
Custodial Services Limited	423,477	0.25%
Investment Custodial Services Limited	414,104	0.24%
Custodial Services Limited	326,999	0.19%
HSBC Nominees (New Zealand) Limited	307,082	0.18%
Trevor Paul Fitzjohn & John Livingston Marshall & Strato Cotsilinis	306,424	0.18%
Dmitry Moroz	267,731	0.16%
	117,153,487	68.09%

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2018. The total number of units on issue at 31 March 2018 was 157,851,179.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Paul Baldwin	0	0
Mark Peterson	0	0
Guy Elliffe	15,912*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2018:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

NZ Top 10 Fund (TNZ)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

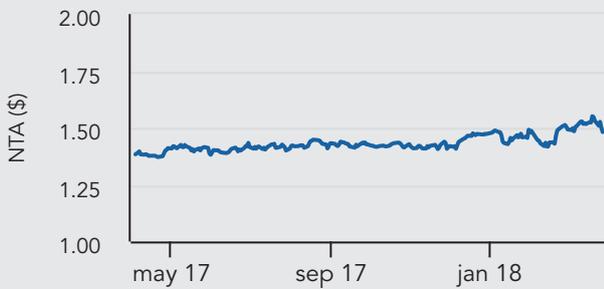
Presented by Smartshares Limited, Manager of the NZ Top 10 Fund

Report to Unitholders HIGHLIGHTS

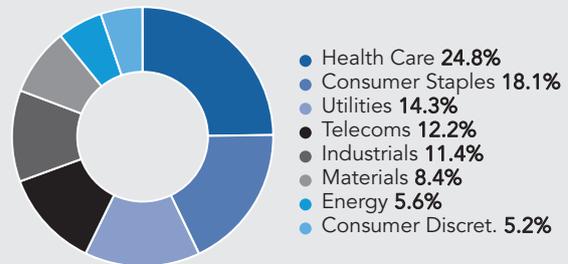
Launch Date 11-Jun-96

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.481	\$1.368
Units On Issue	54,131,573	56,582,943
Funds Under Management	\$80,177,521	\$77,403,643
Gross Distribution	\$0.067	\$0.051
Gross Distribution Yield	4.53%	3.76%
Gross Return	13.53%	3.51%
Total Fund Charges	0.60%	0.60%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1000*



*Since inception with all distributions reinvested.

NZ TOP 10 FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ TOP 10 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Top 10 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ TOP 10 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
INCOME			
Dividend income		2,990	1,593
Securities lending income		22	5
Net changes in fair value of financial assets at fair value through profit or loss		<u>6,643</u>	<u>1,294</u>
Total income		<u>9,655</u>	<u>2,892</u>
EXPENSES			
Management fees expense	6	<u>(491)</u>	<u>(185)</u>
Total expenses		<u>(491)</u>	<u>(185)</u>
Profit before tax		9,164	2,707
Income tax credit/(expense)	1	<u>19</u>	<u>(36)</u>
Profit after tax		9,183	2,671
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>9,183</u></u>	<u><u>2,671</u></u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u><u>16.01</u></u>	<u><u>4.75</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the year/period		77,486	-
Total comprehensive income for the year/period		<u>9,183</u>	<u>2,671</u>
Subscriptions from unitholders	5	3,540	77,440
Redemptions by unitholders	5	(7,155)	(1,380)
Distributions to unitholders	4	<u>(2,804)</u>	<u>(1,245)</u>
		<u>(6,419)</u>	<u>74,815</u>
Unitholders' funds at the end of the year/period		<u><u>80,250</u></u>	<u><u>77,486</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		312	750
Receivables		818	1,005
Investments in equity securities held at fair value through profit or loss		79,193	75,964
Taxation receivable		6	-
Deferred tax asset		<u>10</u>	<u>-</u>
TOTAL ASSETS		<u>80,339</u>	<u>77,719</u>
LIABILITIES			
Management fees payable	6	(4)	(4)
Taxation payable		-	(14)
Deferred tax liability		-	(22)
Distribution payable to unitholders		(11)	-
Funds held for unit purchases		<u>(74)</u>	<u>(193)</u>
TOTAL LIABILITIES		<u>(89)</u>	<u>(233)</u>
UNITHOLDERS' FUNDS		<u>80,250</u>	<u>77,486</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>80,339</u>	<u>77,719</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.




Director

Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	3,178	589
Securities lending income received	21	4
<i>Cash was applied to:</i>		
Management fees paid	(491)	(181)
Taxation paid	(33)	-
Net cash flows from operating activities	<u>2,675</u>	<u>412</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	13,349	56
Net repayments from the Manager	-	19
<i>Cash was applied to:</i>		
Purchase of investments	(14,821)	(778)
Net cash flows from investing activities	<u>(1,472)</u>	<u>(703)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,166	2,309
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(14)	(23)
Distributions paid to unitholders	(2,793)	(1,245)
Net cash flows from financing activities	<u>(1,641)</u>	<u>1,041</u>
Net (decrease)/increase in cash and cash equivalents	(438)	750
Cash and cash equivalents at the beginning of year/period	<u>750</u>	<u>-</u>
Cash and cash equivalents at the end of year/period	<u>312</u>	<u>750</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	9,183	2,671
Net changes in fair value of financial assets at fair value through profit or loss	(6,643)	(1,294)
Increase in taxation receivable	(6)	-
(Decrease)/increase in taxation payable	(14)	14
Increase in deferred tax asset	(10)	-
(Decrease)/increase in deferred tax liability	(22)	22
Increase in management fees payable	-	4
Decrease/(increase) in receivables	187	(1,005)
Net cash flows from operating activities	<u>2,675</u>	<u>412</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Top 10 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/NZX 10 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year/period presented.

Comparative period

These financial statements are for the year ended 31 March 2018. The comparative figures are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held are attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from its investments in securities and securities lending income after the deduction of management fees. The Fund is able to utilise imputation credits when they arise. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends and tax losses to be carried forward.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund receives all of its income from its New Zealand equities.

Changes in accounting policies and accounting standards adopted during the period

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	31 March 2018 \$'000	31 March 2017 \$'000
Tax credit/(expense) comprises:		
Current tax expense	(12)	(14)
Prior period adjustment	(1)	-
Deferred tax movement	<u>32</u>	<u>(22)</u>
Total tax credit/(expense)	<u>19</u>	<u>(36)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax (credit)/expense in the financial statements as follows:

	31 March 2018 \$'000	31 March 2017 \$'000
Income tax expense		
Profit before tax	<u>9,164</u>	<u>2,707</u>
Income tax using the statutory income tax rate 28%	<u>(2,566)</u>	<u>(758)</u>
Net changes in fair value of financial assets	1,860	362
Non taxable income	(72)	259
Gross up of imputation credits	<u>(310)</u>	<u>(39)</u>
	<u>(1,088)</u>	<u>(176)</u>
Less imputation credits and other tax credits	1,108	140
Prior period adjustment	<u>(1)</u>	<u>-</u>
Income tax credit/(expense) as per Statement of Comprehensive Income	<u>19</u>	<u>(36)</u>

	31 March 2018 \$'000	31 March 2017 \$'000
Deferred tax		
Opening balance	(22)	-
Current period movement	<u>32</u>	<u>(22)</u>
Closing balance	<u>10</u>	<u>(22)</u>

	31 March 2018 \$'000	31 March 2017 \$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	453	513

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instrument are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings/(losses) per unit (EPU) is calculated by dividing the net profit/(loss) attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2018	31 March 2017
Profit after tax (\$'000)	9,183	2,671
Weighted average number of units ('000)	<u>57,362</u>	<u>56,233</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>16.01</u></u>	<u><u>4.75</u></u>

4. DISTRIBUTION PAYABLE TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2018 \$'000	31 March 2017 \$'000
November 2016 (paid December 2016)	31/03/2017	2.24	-	1,245
May 2017 (paid June 2017)	31/03/2018	2.27	1,297	-
November 2017 (paid December 2017)	31/03/2018	2.56	<u>1,499</u>	<u>-</u>
			<u><u>2,796</u></u>	<u><u>1,245</u></u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 54,132,000 (31 March 2017: 56,583,000) units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 2,500,000 (31 March 2017: 57,583,000) for total value of \$3,540,000 (31 March 2017: \$77,440,000).

The number of units redeemed during the year ended 31 March 2018 was 4,951,000 (31 March 2017: 1,000,000) for total value of \$7,155,000 (31 March 2017: \$1,380,000)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS (Continued)

	31 March 2018 '000	31 March 2017 '000
Movement in the number of units		
Balance at the beginning of the year/period	56,583	-
Subscriptions received during the year/period	2,500	57,583
Redemptions made during the year/period	<u>(4,951)</u>	<u>(1,000)</u>
Units on issue at the end of the period	<u>54,132</u>	<u>56,583</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.48249 (31 March 2017: \$1.36942). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by Smartshares Limited, a wholly owned subsidiary of NZX Limited, held 815,937 (31 March 2017: 5,636,239) units valued at \$1,209,000 (31 March 2017: \$7,711,000) in the Fund.

Distributions

The Fund paid distributions of \$273,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$126,000). The balance remaining as payable at the end of the year was \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$491,000 (31 March 2017: \$185,000) with \$4,000 (31 March 2017: \$4,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2018, total direct purchase application fees amounted to \$3,000 (31 March 2017: \$2,000) and the total interest earned on cash at banks amounted to \$21,000 (31 March 2017: \$7,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

The Fund has a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2018 the value of securities the Fund had on loan to NZCL was \$2,603,000 (31 March 2017: \$2,535,000).

Total security lending fees for the year ended 31 March 2018 amounted to \$22,000 (31 March 2017: \$5,000), with the accrued fees due to the Fund of \$2,000 (31 March 2017: \$1,000). The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in accordance to the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	31 March 2018 \$'000	31 March 2017 \$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	312	750
Receivables	818	1,005
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	79,193	75,964
<i><u>Other financial liabilities</u></i>		
Management fees payable	(4)	(4)
Distribution payable to unitholders	(11)	-
Funds held for unit purchases	(74)	(193)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease of equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$7,919,000 (31 March 2017: \$7,596,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at the reporting date are:

	31 March 2018 \$'000	31 March 2017 \$'000
Cash and cash equivalents	312	750
Receivables	818	1,005

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	31 March 2018		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	160	AA-	277	AA-
BNZ	<u>152</u>	AA-	<u>473</u>	AA-
	<u>312</u>		<u>750</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund would encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities will fail to deliver equivalent securities on termination of a loan or would encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund will result in errors, fraud or misconduct that will cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2018, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited.

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ TOP 10 FUND



Independent Auditor's Report

To the unitholders of NZ Top 10 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Top 10 Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$803,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ TOP 10 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.6% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ TOP 10 FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	378	13.35%	136,328	0.25%
1,001-5,000	675	23.83%	1,894,952	3.48%
5,001-10,000	539	19.03%	4,075,983	7.50%
10,001-50,000	1,088	38.42%	22,276,197	40.96%
50,001-100,000	110	3.88%	7,396,563	13.60%
Greater than 100,000	42	1.48%	18,601,550	34.21%
TOTAL	2,832	100.00%	54,381,573	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Investment Custodial Services Limited	4,066,559	7.48%
Anna Elisabeth Minnaar	1,929,396	3.55%
Public Trust Lifetime Income Nominees Limited	1,627,438	2.99%
Custodial Services Limited	1,422,115	2.62%
Superlife Nominees Limited	887,565	1.63%
Custodial Services Limited	778,088	1.43%
Philippa Jane Stubbins & Comac Trustee Limited	668,049	1.23%
Custodial Services Limited	514,669	0.95%
Eeshala Nominees Limited	506,089	0.93%
Thomas William Schnackenberg & Annette Helen Schnackenberg	347,656	0.64%
ASB Nominees Limited	300,000	0.55%
HSBC Nominees (New Zealand) Limited	296,781	0.55%
Custodial Services Limited	290,448	0.53%
Bnp Paribas Nominees NZ Limited	260,238	0.48%
Shirley Anne Armstrong	232,157	0.43%
Julian Smith Family Trust Custodian Limited	221,723	0.41%
Kathryn May Kelly & Logan Leith Trustee Limited	208,320	0.38%
Lynne Marie Marx Sheather & Walter Brent Sheather & Patricia Vera Sheather & Simon Middleton Palmer	207,987	0.38%
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	206,580	0.38%
JPMORGAN Chase Bank	197,668	0.36%
	15,169,526	27.90%

Australian Top 20 Fund (OZY)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Australian Top 20 Fund

Report to Unitholders

HIGHLIGHTS

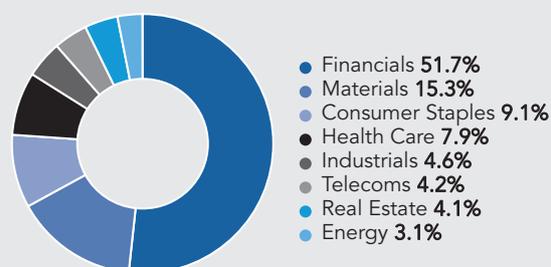
Launch Date 27-Feb-97

	March 2018	March 2017
Net Tangible Assets (NTA)	\$3.425	\$3.774
Units On Issue	35,781,267	25,726,556
Funds Under Management	\$122,554,060	\$97,089,212
Gross Distribution	\$0.131	\$0.088
Gross Distribution Yield	3.83%	2.32%
Gross Return	-5.83%	18.19%
Total Fund Charges	0.60%	0.60%
Distributions paid	Semi-annual	

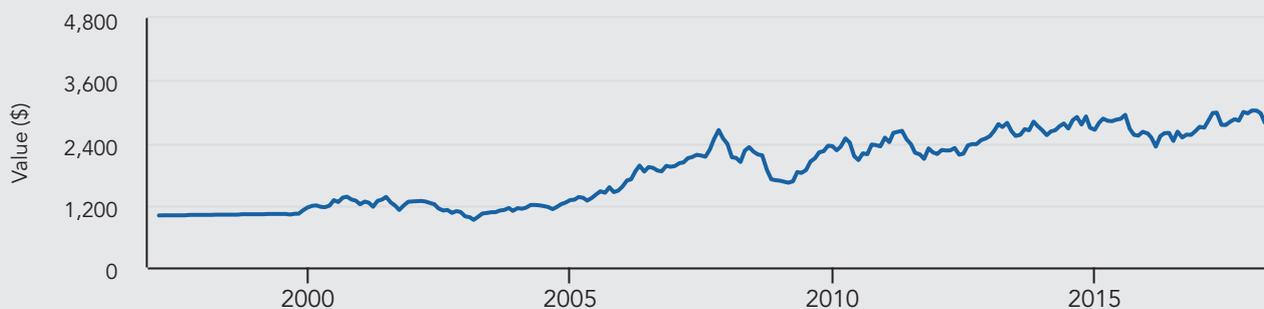
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

AUSTRALIAN TOP 20 FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN TOP 20 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

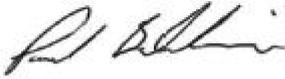
The Australian Top 20 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

AUSTRALIAN TOP 20 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
INCOME			
Dividend income		4,728	1,932
Net changes in fair value of financial assets at fair value through profit or loss		(10,389)	15,753
Foreign exchange gain		-	41
Total income		<u>(5,661)</u>	<u>17,726</u>
EXPENSES			
Management fees expense	6	(573)	(219)
Foreign exchange loss		(174)	-
Miscellaneous expenses		(1)	-
Total expenses		<u>(748)</u>	<u>(219)</u>
(Loss)/profit before tax		(6,409)	17,507
Income tax expense	1	(1,074)	(505)
(Loss)/profit after tax		(7,483)	17,002
Other comprehensive income		-	-
Total comprehensive (loss)/income		<u>(7,483)</u>	<u>17,002</u>
EARNINGS PER UNIT			
Basic and diluted (losses)/earnings per unit (cents per unit)	3	<u>(27.52)</u>	<u>65.70</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

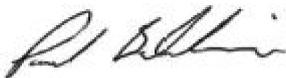
	Note	Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the year/period		97,104	-
Total comprehensive (loss)/income for the year/period		<u>(7,483)</u>	<u>17,002</u>
Subscriptions from unitholders	5	37,731	83,382
Redemptions by unitholders	5	(1,646)	(2,542)
Distributions to unitholders	4	<u>(2,960)</u>	<u>(738)</u>
		<u>33,125</u>	<u>80,102</u>
Unitholders' funds at the end of the year/period		<u><u>122,746</u></u>	<u><u>97,104</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		3,402	2,629
Receivables		394	614
Investments in equity securities held at fair value through profit or loss		120,333	95,355
Unsettled sales of investments		<u>-</u>	<u>12</u>
TOTAL ASSETS		<u>124,129</u>	<u>98,610</u>
LIABILITIES			
Management fees payable	6	(6)	(5)
Taxation payable		(1,092)	(179)
Deferred tax payable		(112)	(159)
Distribution payable to unitholders		(5)	-
Funds held for unit purchases		(168)	(1,150)
Unsettled purchases of investments		<u>-</u>	<u>(13)</u>
TOTAL LIABILITIES		<u>(1,383)</u>	<u>(1,506)</u>
UNITHOLDERS' FUNDS		<u>122,746</u>	<u>97,104</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>124,129</u>	<u>98,610</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	4,933	1,573
<i>Cash was applied to:</i>		
Management fees paid	(572)	(214)
Taxation paid	(193)	(162)
Miscellaneous expenses paid	(1)	-
Net cash flows from operating activities	<u>4,167</u>	<u>1,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	3,437	66
<i>Cash was applied to:</i>		
Purchase of investments	(6,111)	(708)
Net cash flows from investing activities	<u>(2,674)</u>	<u>(642)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	2,270	2,842
<i>Cash was applied to:</i>		
Redemptions by unitholders	(30)	(35)
Distributions paid to unitholders	(2,955)	(738)
Net cash flows from financing activities	<u>(715)</u>	<u>2,069</u>
Net increase in cash and cash equivalents	778	2,624
Cash and cash equivalents at the beginning of the year/period	2,629	-
Effect of exchange rate fluctuations on cash and cash equivalents	(5)	5
Cash and cash equivalents at the end of the year/period	<u>3,402</u>	<u>2,629</u>
Reconciliation of (loss)/profit after tax to net cash flows from operating activities		
(Loss)/Profit after tax	(7,483)	17,002
Net changes in fair value of financial assets at fair value through profit or loss	10,389	(15,753)
Foreign exchange loss/(gain)	174	(41)
Increase in taxation payable	913	179
(Decrease)/increase in deferred tax payable	(47)	159
Increase in management fees payable	1	5
Decrease/(increase) in receivables	220	(354)
Net cash flows from operating activities	<u>4,167</u>	<u>1,197</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Australian Top 20 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Market Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX 20 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Comparative period

These financial statements are for the year ended 31 March 2018. The comparative figures are for the period 9 September 2016 to 31 March 2017.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund committed to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from its investment in securities after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise imputation credits and foreign withholding tax credits when they are available. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund receives all of its income from its Australian equity investments.

Changes in accounting policies and accounting standards adopted during the period

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	31 March 2018 \$'000	31 March 2017 \$'000
Tax expense comprises:		
Current tax expense	(1,121)	(346)
Deferred tax movement	47	(159)
Total tax expense	(1,074)	(505)

The prima facie income tax expense on loss before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	31 March 2018 \$'000	31 March 2017 \$'000
(Loss)/profit before tax	(6,409)	17,507
Income tax using the statutory income tax rate 28%	1,795	(4,902)
Net changes in fair value of financial assets	(2,914)	4,413
Non taxable income	37	(15)
Tax on securities subject to FDR	(91)	(34)
Gross up of imputation credits	(39)	(13)
	(1,212)	(551)
Less imputation credits and other tax credits	138	46
Income tax expense as per Statement of Comprehensive Income	(1,074)	(505)

Deferred tax

	31 March 2018 \$'000	31 March 2018 \$'000
Opening balance	(159)	-
Current period movement	47	(159)
Closing balance	(112)	(159)

Imputation credit account (ICA)

	31 March 2018 \$'000	31 March 2017 \$'000
Imputation credits available for use in subsequent periods	1,164	402

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2018	31 March 2017
(Loss)/Profit after tax (\$'000)	(7,483)	17,002
Weighted average number of units ('000)	27,189	25,877
Basic and diluted (losses)/earnings per unit (cents per unit)	(27.52)	65.70

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

		Distribution per unit (cents per unit)	31 March 2018 \$'000	31 March 2017 \$'000
Year ended	31/03/			
November 2016 (paid December 2016)	31/03/2017	2.86	-	738
May 2017 (paid June 2017)	31/03/2018	6.10	1,578	-
November 2017 (paid December 2017)	31/03/2018	5.21	1,376	-
			2,954	738

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 35,781,000 (31 March 2017: 25,727,000) units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 10,504,000 (31 March 2017: 26,477,000) for total value of \$37,731,000 (31 March 2017: \$83,382,000).

The number of units redeemed during the year ended 31 March 2018 was 450,000 (31 March 2017: 750,000) for total value of \$1,646,000 (31 March 2017: \$2,542,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS (Continued)

	31 March 2018 '000	31 March 2017 '000
Movement in the number of units		
Balance at the beginning of the year/period	25,727	-
Subscriptions received during the year/period	10,504	26,477
Redemptions made during the year/period	(450)	(750)
Units on issue at the end of the year/period	<u>35,781</u>	<u>25,727</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$3.43048 (31 March 2017: \$3.77440). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by Smartshares Limited, a wholly owned subsidiary of NZX Limited, held 10,800,076 (31 March 2017: 1,393,486) units valued at \$36,991,000 (31 March 2017: \$5,259,000) in the Fund.

Distributions

The Fund paid distributions of \$158,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$37,000). The balance remaining as payable at the end of the year was \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$573,000 (31 March 2017: \$219,000) with \$6,000 (31 March 2017: \$5,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2018, total direct purchase application fees amounted to \$4,000 (31 March 2017: \$2,000) and the total interest earned on cash at banks amounted to \$24,000 (31 March 2017: \$6,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category	31 March 2018 \$'000	31 March 2017 \$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	3,402	2,629
Receivables	394	614
Unsettled sales of investments	-	12
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	120,333	95,355
<i><u>Other financial liabilities</u></i>		
Management fees payable	(6)	(5)
Distribution payable to unitholders	(5)	-
Funds held for unit purchases	(168)	(1,150)
Unsettled purchases of investments	-	(13)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$12,033,000 (31 March 2017: \$9,536,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	31 March 2018 \$'000	31 March 2017 \$'000
Cash and cash equivalents	3,402	2,629
Receivables	394	614
Unsettled sales of investments	-	12

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	31 March 2018		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	213	AA-	1,197	AA-
BNP Paribas	45	A	207	A
Westpac	<u>3,144</u>	AA-	<u>1,225</u>	AA-
	<u>3,402</u>		<u>2,629</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that were settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$12,073,000 (31 March 2017: \$9,618,000).

The table below summarises the Fund's exposure to currency risks.

	31 March 2018 \$'000	31 March 2017 \$'000
Australian dollar cash held (NZD)	2	207
Receivables	394	614
Investments in equity securities held at fair value through profit or loss	120,333	95,355

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN TOP 20 FUND



Independent Auditor's Report

To the unitholders of Australian Top 20 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Top 20 Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,241,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN TOP 20 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 96.9% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN TOP 20 FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	590	20.67%	235,934	0.66%
1,001-5,000	1,145	40.12%	3,113,230	8.76%
5,001-10,000	612	21.44%	4,227,038	11.89%
10,001-50,000	467	16.36%	8,536,565	24.01%
50,001-100,000	23	0.81%	1,517,679	4.27%
Greater than 100,000	17	0.60%	17,925,821	50.42%
TOTAL	2,854	100.00%	35,556,267	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	10,624,994	29.88%
Investment Custodial Services Limited	3,070,509	8.64%
Anna Elisabeth Minnaar	1,077,708	3.03%
FNZ Custodians Limited	437,065	1.23%
FNZ Custodians Limited	420,352	1.18%
Michael Donald Wight & Geraldine Louise Wight	386,486	1.09%
Sharesies Nominee Limited	322,284	0.91%
Philippa Jane Stubbins & Comac Trustee Limited	209,803	0.59%
Custodial Services Limited	209,770	0.59%
Citibank Nominees (Nz) Ltd	155,596	0.44%
Michael Donald Wight & Geraldine Louise Wight & David Leonard Gill	154,627	0.43%
Forsyth Barr Custodians Limited	149,133	0.42%
David Owen Neill & Jennifer Jill Neill & Lisa Ann Wilson	126,037	0.35%
Custodial Services Limited	124,700	0.35%
Fund Management Limited Mft	119,088	0.33%
Ajd Family Nominees Limited	107,704	0.30%
Shirley Anne Armstrong	105,920	0.30%
Eeshala Nominees Limited	100,000	0.28%
Mona B Rodgerson & Anthony M Grace & John F Rodgerson	99,203	0.28%
JBWERE (Nz) Nominees Limited	82,172	0.23%
	18,083,151	50.85%

US 500 Fund (USF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the US 500 Fund

Report to Unitholders

HIGHLIGHTS

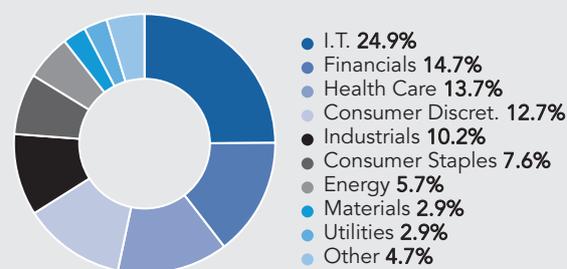
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$6.631	\$6.204
Units On Issue	24,796,001	17,046,501
Funds Under Management	\$164,427,490	\$105,762,155
Gross Distribution	\$0.043	\$0.029
Gross Distribution Yield	0.64%	0.46%
Gross Return	7.57%	13.71%
Total Fund Charges	0.34%	0.35%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

US 500 FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US 500 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US 500 Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

US 500 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		2,409	1,908
Net changes in fair value of financial assets at fair value through profit or loss		7,865	12,764
Foreign exchange gain		-	55
Total income		10,274	14,727
EXPENSES			
Management fees expense	6	(357)	(277)
Foreign exchange loss		(198)	-
Total expenses		(555)	(277)
Profit before tax		9,719	14,450
Income tax expense	1	(1,558)	(1,227)
Profit after tax		8,161	13,223
Other comprehensive income		-	-
Total comprehensive income		8,161	13,223
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	44.16	80.95

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

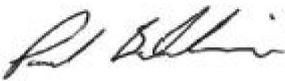
	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		106,101	79,509
Total comprehensive income for the year		<u>8,161</u>	<u>13,223</u>
Subscriptions from unitholders	5	53,325	14,312
Redemptions by unitholders	5	-	(613)
Distributions to unitholders	4	<u>(540)</u>	<u>(330)</u>
		<u>52,785</u>	<u>13,369</u>
Unitholders' funds at the end of the year		<u><u>167,047</u></u>	<u><u>106,101</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,897	1,401
Investments in equity securities held at fair value through profit or loss		<u>170,107</u>	<u>106,010</u>
TOTAL ASSETS		<u>172,004</u>	<u>107,411</u>
LIABILITIES			
Management fees payable	6	(4)	(3)
Taxation payable		(854)	(333)
Funds held for unit purchases		(493)	(479)
Unsettled purchases of investments		<u>(3,606)</u>	<u>(495)</u>
TOTAL LIABILITIES		<u>(4,957)</u>	<u>(1,310)</u>
UNITHOLDERS' FUNDS		<u>167,047</u>	<u>106,101</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>172,004</u>	<u>107,411</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2,048	1,622
<i>Cash was applied to:</i>		
Management fees paid	(356)	(294)
Taxation paid	<u>(676)</u>	<u>(726)</u>
Net cash flows from operating activities	<u>1,016</u>	<u>602</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(5,982)</u>	<u>(2,262)</u>
Net cash flows from investing activities	<u>(5,982)</u>	<u>(2,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	6,002	2,670
<i>Cash was applied to:</i>		
Redemptions by unitholders	-	(3)
Distributions paid to unitholders	<u>(540)</u>	<u>(330)</u>
Net cash flows from financing activities	<u>5,462</u>	<u>2,337</u>
Net increase in cash and cash equivalents	496	677
Cash and cash equivalents at the beginning of the year	1,401	727
Effect of exchange rate fluctuations on cash and cash equivalents	<u>-</u>	<u>(3)</u>
Cash and cash equivalents at the end of the year	<u>1,897</u>	<u>1,401</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	8,161	13,223
Net changes in fair value of financial assets at fair value through profit or loss	(7,865)	(12,764)
Foreign exchange loss/(gain)	198	(55)
Increase in taxation payable	521	215
Increase/(decrease) in management fees payable	<u>1</u>	<u>(17)</u>
Net cash flows from operating activities	<u>1,016</u>	<u>602</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The US 500 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard S&P 500 ETF (the 'Underlying Fund'), which tracks the S&P 500 Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard S&P 500 ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(1,558)</u>	<u>(1,227)</u>
Total tax expense	<u>(1,558)</u>	<u>(1,227)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>9,719</u>	<u>14,450</u>
Income tax using the statutory income tax rate 28%	(2,721)	(4,046)
Net changes in fair value of financial assets	2,197	3,573
Non taxable income	628	533
Tax on securities subject to FDR	<u>(1,662)</u>	<u>(1,287)</u>
	(1,558)	(1,227)
Income tax expense as per Statement of Comprehensive Income	<u>(1,558)</u>	<u>(1,227)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	2,101	1,114

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	8,161	13,223
Weighted average number of units ('000)	<u>18,479</u>	<u>16,334</u>
Basic and diluted earnings per unit (cents per unit)	<u>44.16</u>	<u>80.95</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
April 2016 (paid May 2016)	31/03/2017	0.69	-	100
November 2016 (paid December 2016)	31/03/2017	1.37	-	230
May 2017 (paid June 2017)	31/03/2018	1.60	275	-
November 2017 (paid December 2017)	31/03/2018	1.46	265	-
			<u>540</u>	<u>330</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 24,797,000 units on issue (31 March 2017: 17,047,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 7,750,000 (31 March 2017: 2,607,000) for total value of \$53,325,000 (31 March 2017: \$14,312,000).

The number of units redeemed during the year ended 31 March 2018 was nil (31 March 2017: 110,000) for total value of \$nil (31 March 2017: \$613,000).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	17,047	14,550
Subscriptions received during the year	7,750	2,607
Redemptions made during the year	-	(110)
Units on issue at the end of the year	<u>24,797</u>	<u>17,047</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$6.73658 (31 March 2017: \$6.22403). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 22,312,093 units (31 March 2017: 15,994,898) valued at \$147,956,000 (31 March 2017: \$99,238,000) in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$490,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$220,000). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$357,000 (31 March 2017: \$277,000), with \$4,000 (31 March 2017: \$3,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$14,000 (31 March 2017: \$25,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$18,000 (31 March 2017: \$13,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	1,897	1,401
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	170,107	106,010
<u>Other financial liabilities</u>		
Management fees payable	(4)	(3)
Funds held for unit purchases	(493)	(479)
Unsettled purchases of investments	(3,606)	(495)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$17,011,000 (31 March 2017: \$10,601,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1,897	1,401

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017
	Balance	Credit	Balance
	\$'000	rating	\$'000
ANZ	493	AA-	478
BNP Paribas	-	A	-
Westpac	<u>1,404</u>	AA-	<u>923</u>
	<u><u>1,897</u></u>		<u><u>1,401</u></u>

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard S&P 500 ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$16,650,000 (31 March 2017: \$10,552,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	170,107	106,010
Unsettled purchases of investments	(3,606)	(495)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US 500 FUND



Independent Auditor's Report

To the unitholders of US 500 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US 500 Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,720,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US 500 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.9% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

US 500 FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	1,066	66.54%	376,044	1.47%
1,001-5,000	422	26.34%	927,199	3.63%
5,001-10,000	71	4.43%	489,998	1.92%
10,001-50,000	40	2.50%	691,543	2.71%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	3	0.19%	23,031,217	90.26%
TOTAL	1,602	100.00%	25,516,001	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	22,445,793	87.97%
Sharesies Nominee Limited	317,616	1.24%
Adminis Custodial Nominees Ltd Class D	267,808	1.05%
Nicoletta Maria Bartoli	43,655	0.17%
FNZ Custodians Limited	30,983	0.12%
Graham Edward Taylor & Heather Doreen Taylor & David Snedden	30,062	0.12%
Paul Anthony Wallace	29,445	0.12%
Adminis Custodial Nominees Ltd Class C	26,617	0.10%
Ian Robert Mckim & Anne Marie Mckim	26,613	0.10%
Nigel Russell Fannin & Rosemary Anne O'Brien & Kevin Wayne Harborne	25,126	0.10%
Benjamin David Bonoma & Sarah Victoria Bonoma	23,548	0.09%
4 Eyes Limited	22,631	0.09%
Thomas Edward Robinson & Tsui Wen Chen & David Bruce Bell	20,838	0.08%
Paul Anthony Kathro	20,670	0.08%
Reece Hall & Kathryn Hall	18,786	0.07%
Stephen Allan Mcgregor & Jane Costigan	18,711	0.07%
Grant Harold Spencer & Lynda Jennifer Anne Spencer	18,538	0.07%
Eugene John Gibney	18,493	0.07%
Izak Andries Delpont Van Blerk & Petronella Erendina Van Blerk	17,240	0.07%
Bruce John Ferguson	16,436	0.06%
	23,439,609	91.84%

Europe Fund (EUF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Europe Fund

Report to Unitholders HIGHLIGHTS

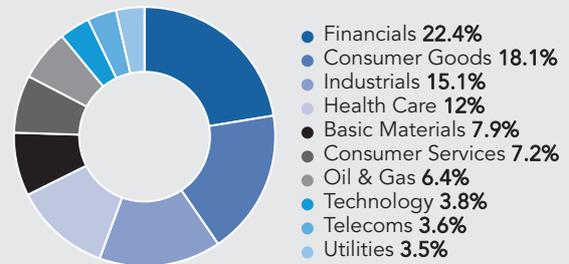
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.605	\$1.474
Units On Issue	87,119,313	108,103,400
Funds Under Management	\$139,855,247	\$159,326,154
Gross Distribution	\$0.029	\$0.027
Gross Distribution Yield	1.83%	1.85%
Gross Return	10.86%	6.07%
Total Fund Charges	0.55%	0.55%
Distributions paid	Semi-annual	

NTA Per Unit



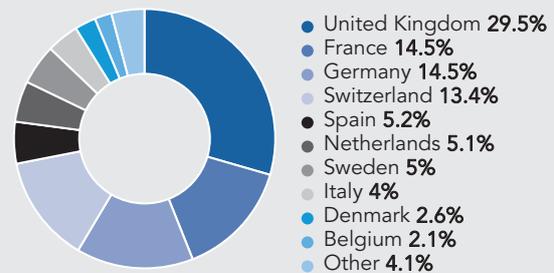
Holdings By Sector



Growth of \$1000*



Country Allocation



*Since inception with all distributions reinvested.

EUROPE FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

EUROPE FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Europe Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

EUROPE FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		4,862	3,486
Net changes in fair value of financial assets at fair value through profit or loss		16,268	11,354
Foreign exchange gain		-	26
Total income		21,130	14,866
EXPENSES			
Management fees expense	6	(834)	(492)
Foreign exchange loss		(61)	-
Total expenses		(895)	(492)
Profit before tax		20,235	14,374
Income tax expense	1	(2,343)	(1,377)
Profit after tax		17,892	12,997
Other comprehensive income		-	-
Total comprehensive income		17,892	12,997
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	15.62	15.86

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		160,620	81,408
Total comprehensive income for the year		<u>17,892</u>	<u>12,997</u>
Subscriptions from unitholders	5	23,309	67,492
Redemptions by unitholders	5	(58,372)	-
Distributions to unitholders	4	<u>(2,467)</u>	<u>(1,277)</u>
		<u>(37,530)</u>	<u>66,215</u>
Unitholders' funds at the end of the year		<u><u>140,982</u></u>	<u><u>160,620</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,838	1,513
Investments in equity securities held at fair value through profit or loss		<u>141,835</u>	<u>159,529</u>
TOTAL ASSETS		<u>143,673</u>	<u>161,042</u>
LIABILITIES			
Management fees payable	6	(5)	(6)
Taxation payable		(1,162)	(348)
Funds held for unit purchases		(156)	(38)
Unsettled purchases of investments		<u>(1,368)</u>	<u>(30)</u>
TOTAL LIABILITIES		<u>(2,691)</u>	<u>(422)</u>
UNITHOLDERS' FUNDS		<u>140,982</u>	<u>160,620</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>143,673</u>	<u>161,042</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	4,133	2,964
<i>Cash was applied to:</i>		
Management fees paid	(835)	(517)
Taxation paid	<u>(800)</u>	<u>(639)</u>
Net cash flows from operating activities	<u>2,498</u>	<u>1,808</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	38	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(2,580)</u>	<u>(712)</u>
Net cash flows from investing activities	<u>(2,542)</u>	<u>(712)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	2,836	1,031
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(2,467)</u>	<u>(1,277)</u>
Net cash flows from financing activities	<u>369</u>	<u>(246)</u>
Net increase in cash and cash equivalents	325	850
Cash and cash equivalents at the beginning of the year	1,513	682
Effect of exchange rate fluctuations on cash and cash equivalents	<u>-</u>	<u>(19)</u>
Cash and cash equivalents at the end of the year	<u>1,838</u>	<u>1,513</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	17,892	12,997
Net changes in fair value of financial assets at fair value through profit or loss	(16,268)	(11,354)
Foreign exchange loss/(gain)	61	(26)
Increase in taxation payable	814	216
Decrease in management fees payable	<u>(1)</u>	<u>(25)</u>
Net cash flows from operating activities	<u>2,498</u>	<u>1,808</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Europe Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard FTSE Europe ETF (the 'Underlying Fund'), which tracks the FTSE Developed Europe All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard FTSE Europe ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(2,343)</u>	<u>(1,377)</u>
Total tax expense	<u><u>(2,343)</u></u>	<u><u>(1,377)</u></u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>20,235</u>	<u>14,374</u>
Income tax using the statutory income tax rate 28%	(5,666)	(4,025)
Net changes in fair value of financial assets	4,553	3,179
Non taxable income	1,350	990
Tax on securities subject to FDR	<u>(2,580)</u>	<u>(1,521)</u>
	(2,343)	(1,377)
Income tax expense as per Statement of Comprehensive Income	<u><u>(2,343)</u></u>	<u><u>(1,377)</u></u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	1,509	854

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	17,892	12,997
Weighted average number of units ('000)	<u>114,541</u>	<u>81,972</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>15.62</u></u>	<u><u>15.86</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
July 2016 (paid August 2016)	31/03/2017	2.06	-	1,277
May 2017 (paid June 2017)	31/03/2018	0.72	784	-
November 2017 (paid December 17)	31/03/2018	1.39	1,683	-
			<u>2,467</u>	<u>1,277</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 87,119,000 units on issue (31 March 2017: 108,103,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 14,756,000 (31 March 2017: 50,170,000) for total value of \$23,309,000 (31 March 2017: \$67,492,000).

The number of units redeemed during the year ended 31 March 2018 was 35,740,000 (31 March 2017: nil) for total value of \$58,372,000 (31 March 2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	108,103	57,933
Subscriptions received during the year	14,756	50,170
Redemptions made during the year	<u>(35,740)</u>	<u>-</u>
Units on issue at the end of the year	<u>87,119</u>	<u>108,103</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.61827 (31 March 2017: \$1.48581). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 82,341,448 units (31 March 2017: 106,437,239) valued at \$132,185,000 (31 March 2017: \$156,870,000) in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$2,404,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$834,000 (31 March 2017: \$492,000), with \$5,000 (31 March 2017: \$6,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$23,000 (31 March 2017: \$12,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$5,000 (31 March 2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	1,838	1,513
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	141,835	159,529
<u>Other financial liabilities</u>		
Management fees payable	(5)	(6)
Funds held for unit purchases	(156)	(38)
Unsettled purchases of investments	(1,368)	(30)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$14,184,000 (31 March 2017: \$15,953,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1,838	1,513

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	
	\$'000	rating	\$'000	
			Credit	
			rating	
ANZ	156	AA-	38	AA-
BNP Paribas	-	A	-	A
Westpac	<u>1,682</u>	AA-	<u>1,475</u>	AA-
	<u>1,838</u>		<u>1,513</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard FTSE Europe ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$14,047,000 (31 March 2017: \$15,950,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	141,835	159,529
Unsettled purchases of investments	(1,368)	(30)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

EUROPE FUND



Independent Auditor's Report

To the unitholders of Europe Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Europe Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,437,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

EUROPE FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

EUROPE FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington
24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	171	28.22%	91,454	0.10%
1,001-5,000	220	36.30%	546,864	0.62%
5,001-10,000	98	16.17%	681,472	0.77%
10,001-50,000	97	16.01%	1,979,378	2.25%
50,001-100,000	13	2.15%	873,691	0.99%
Greater than 100,000	7	1.16%	83,861,454	95.26%
TOTAL	606	100.00%	88,034,313	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	82,341,448	93.53%
Adminis Custodial Nominees Ltd Class D	639,681	0.73%
Sharesies Nominee Limited	378,630	0.43%
Nicoletta Maria Bartoli	176,596	0.20%
Phillip Stephen Thumath	110,061	0.13%
Adminis Custodial Nominees Ltd Class C	107,922	0.12%
FNZ Custodians Limited	107,116	0.12%
Benjamin David Bonoma & Sarah Victoria Bonoma	93,767	0.11%
Brian Joseph Connor & Maureen Shannahan Connor	76,986	0.09%
Grant Wilbert Dorey	75,587	0.09%
Sun Properties International Limited	73,425	0.08%
Nigel Russell Fannin & Rosemary Anne O'Brien & Kevin Wayne Harborne	73,055	0.08%
Arthur William Young & Peter Webster Wilson	64,884	0.07%
Richard George Lane	64,875	0.07%
Mark Reid Craig	64,000	0.07%
John Farquharson Hancock & Amanda Jane Hancock & Ulrich AND Company Trustees Limited	63,704	0.07%
Paul Davidson Veitch & Timothy Robert Coleman & Duncan Dovico Trustees Limited	58,848	0.07%
Paul Rodger Day & Amanda Cheryl Day	56,577	0.06%
Izak Andries Delpont Van Blerk & Petronella Erendina Van Blerk	54,983	0.06%
Piers Toby Agmen & Ross Hannay Mckechine	53,000	0.06%
	84,735,145	96.24%

Asia Pacific Fund (APA)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Asia Pacific Fund

Report to Unitholders

HIGHLIGHTS

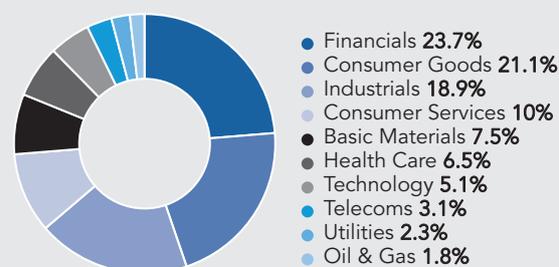
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$2.011	\$1.830
Units On Issue	45,475,500	32,450,500
Funds Under Management	\$91,448,047	\$59,394,976
Gross Distribution	\$0.026	\$0.010
Gross Distribution Yield	1.28%	0.54%
Gross Return	11.35%	13.51%
Total Fund Charges	0.55%	0.55%
Distributions paid	Semi-annual	

NTA Per Unit



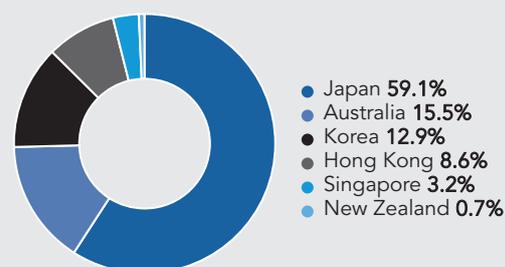
Sector Allocation



Growth of \$1,000*



Country Allocation



*Since inception with all distributions reinvested.

ASIA PACIFIC FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

ASIA PACIFIC FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Asia Pacific Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

ASIA PACIFIC FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		1,835	1,242
Net changes in fair value of financial assets at fair value through profit or loss		7,176	6,530
Foreign exchange gain		-	5
Total income		9,011	7,777
EXPENSES			
Management fees expense	6	(304)	(213)
Foreign exchange loss		(111)	-
Total expenses		(415)	(213)
Profit before tax		8,596	7,564
Income tax expense	1	(854)	(599)
Profit after tax		7,742	6,965
Other comprehensive income		-	-
Total comprehensive income		7,742	6,965
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	21.94	24.29

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

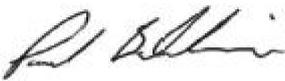
	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		59,309	39,890
Total comprehensive income for the year		<u>7,742</u>	<u>6,965</u>
Subscriptions from unitholders	5	26,356	12,644
Distributions to unitholders	4	<u>(623)</u>	<u>(190)</u>
		<u>25,733</u>	<u>12,454</u>
Unitholders' funds at the end of the year		<u><u>92,784</u></u>	<u><u>59,309</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,364	756
Investments in equity securities held at fair value through profit or loss		<u>93,044</u>	<u>58,786</u>
TOTAL ASSETS		<u>94,408</u>	<u>59,542</u>
LIABILITIES			
Management fees payable	6	(3)	(2)
Taxation payable		(395)	(151)
Funds held for unit purchases		(174)	(44)
Unsettled purchases of investments		<u>(1,052)</u>	<u>(36)</u>
TOTAL LIABILITIES		<u>(1,624)</u>	<u>(233)</u>
UNITHOLDERS' FUNDS		<u>92,784</u>	<u>59,309</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>94,408</u>	<u>59,542</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,560	1,056
<i>Cash was applied to:</i>		
Management fees paid	(303)	(227)
Taxation paid	<u>(335)</u>	<u>(347)</u>
Net cash flows from operating activities	<u>922</u>	<u>482</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(1,768)</u>	<u>(410)</u>
Net cash flows from investing activities	<u>(1,768)</u>	<u>(410)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	2,077	543
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(623)</u>	<u>(190)</u>
Net cash flows from financing activities	<u>1,454</u>	<u>353</u>
Net increase in cash and cash equivalents	608	425
Cash and cash equivalents at the beginning of the year	<u>756</u>	<u>331</u>
Cash and cash equivalents at the end of the year	<u>1,364</u>	<u>756</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	7,742	6,965
Net changes in fair value of financial assets at fair value through profit or loss	(7,176)	(6,530)
Foreign exchange loss/(gain)	111	(5)
Increase in taxation payable	244	66
Increase/(decrease) in management fees payable	<u>1</u>	<u>(14)</u>
Net cash flows from operating activities	<u>922</u>	<u>482</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Asia Pacific Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard FTSE Pacific ETF (the 'Underlying Fund'), which tracks the FTSE Developed Asia Pacific All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard FTSE Pacific ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(854)</u>	<u>(599)</u>
Total tax expense	<u>(854)</u>	<u>(599)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>8,596</u>	<u>7,564</u>
Income tax using the statutory income tax rate 28%	(2,407)	(2,118)
Net changes in fair value of financial assets	2,008	1,828
Non taxable income	485	350
Tax on securities subject to FDR	<u>(940)</u>	<u>(659)</u>
	(854)	(599)
Income tax expense as per Statement of Comprehensive Income	<u>(854)</u>	<u>(599)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	818	482

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	7,742	6,965
Weighted average number of units ('000)	<u>35,283</u>	<u>28,671</u>
Basic and diluted earnings per unit (cents per unit)	<u>21.94</u>	<u>24.29</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
July 2016 (paid August 2016)	31/03/2017	0.71	-	190
May 2017 (paid June 2017)	31/03/2018	1.34	443	-
November 2017 (paid December 2017)	31/03/2018	0.51	180	-
			623	190

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 45,476,000 units on issue (31 March 2017: 32,451,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 13,025,000 (31 March 2017: 7,533,000) for total value of \$26,356,000 (31 March 2017: \$12,644,000).

The number of units redeemed during the year ended 31 March 2018 was nil (31 March 2017: nil) for total value of \$nil (31 March 2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	32,451	24,918
Subscriptions received during the year	13,025	7,533
Units on issue at the end of the year	45,476	32,451

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$2.04028 (31 March 2017: \$1.82765). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 43,308,624 units (31 March 2017: 31,764,838) valued at \$87,091,000 (31 March 2017: \$58,140,000) in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$603,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$304,000 (31 March 2017: \$213,000), with \$3,000 (31 March 2017: \$2,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$9,000 (31 March 2017: \$6,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$4,000 (31 March 2017: \$3,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	1,364	756
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	93,044	58,786
<u>Other financial liabilities</u>		
Management fees payable	(3)	(2)
Funds held for unit purchases	(174)	(44)
Unsettled purchases of investments	(1,052)	(36)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$9,304,000 (31 March 2017: \$5,879,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1,364	756

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	
	\$'000	rating	\$'000	
			Credit	
			rating	
ANZ	174	AA-	44	AA-
BNP Paribas	-	A	-	A
Westpac	<u>1,190</u>	AA-	<u>712</u>	AA-
	<u>1,364</u>		<u>756</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard FTSE Pacific ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$9,199,000 (31 March 2017: \$5,875,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	93,044	58,786
Unsettled purchases of investments	(1,052)	(36)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

ASIA PACIFIC FUND



Independent Auditor's Report

To the unitholders of Asia Pacific Fund.

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Asia Pacific Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$944,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

ASIA PACIFIC FUND



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.6% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this independent auditor's report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

ASIA PACIFIC FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG

Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	205	38.25%	101,761	0.22%
1,001-5,000	199	37.13%	530,874	1.15%
5,001-10,000	65	12.13%	469,459	1.02%
10,001-50,000	61	11.38%	1,162,231	2.52%
50,001-100,000	3	0.56%	220,184	0.48%
Greater than 100,000	3	0.56%	43,565,991	94.60%
TOTAL	536	100.00%	46,050,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	43,308,624	94.05%
Shirley Anne Armstrong	140,080	0.30%
Benjamin David Bonoma & Sarah Victoria Bonoma	117,287	0.25%
Brent Reginald Ellison	91,970	0.20%
Graham Edward Taylor & Heather Doreen Taylor & David Snedden	75,184	0.16%
Richard George Lane	53,030	0.12%
Igor Daniel Divjak & Rose Blair Divjak	50,000	0.11%
Paul Rodger Day & Amanda Cheryl Day	49,715	0.11%
Grant Wilbert Dorey	46,452	0.10%
Izak Andries Delpport Van Blerk & Petronella Erendina Van Blerk	43,763	0.10%
Sun Properties International Limited	42,000	0.09%
Billy Cheung Services Limited	40,532	0.09%
Cdk Limited	28,918	0.06%
FNZ Custodians Limited	28,494	0.06%
Glenda Lowe	27,773	0.06%
Bruce John Ferguson	27,696	0.06%
Begg & Allen Properties Limited	27,457	0.06%
Piers Toby Agmen & Ross Hannay Mckechine	26,000	0.06%
Karen Marie Fairweather	24,860	0.05%
Christiaan William Clark	24,859	0.05%
	44,274,694	96.14%

Emerging Markets Fund (EMF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Emerging Markets Fund

Report to Unitholders

HIGHLIGHTS

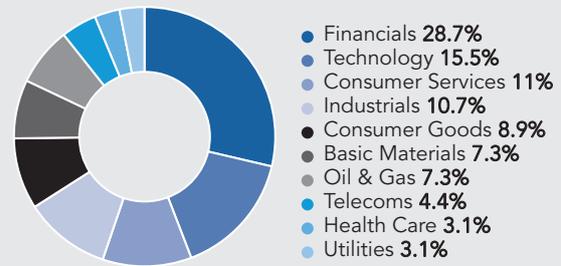
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.281	\$1.147
Units On Issue	68,109,000	37,587,000
Funds Under Management	\$87,250,353	\$43,121,155
Gross Distribution	\$0.020	-
Gross Distribution Yield	1.53%	N/A
Gross Return	13.42%	14.74%
Total Fund Charges	0.59%	0.59%
Distributions paid	Semi-annual	

NTA Per Unit



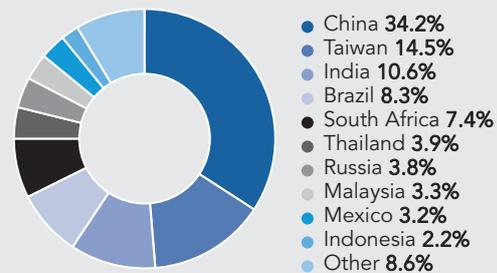
Sector Allocation



Growth of \$1,000*



Country Allocation



*Since inception with all distributions reinvested.

EMERGING MARKETS FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

EMERGING MARKETS FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Emerging Markets Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

EMERGING MARKETS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		1,249	918
Net changes in fair value of financial assets at fair value through profit or loss		8,047	5,056
Foreign exchange gain		-	67
Total income		9,296	6,041
EXPENSES			
Management fees expense	6	(244)	(166)
Foreign exchange loss		(277)	-
Total expenses		(521)	(166)
Profit before tax		8,775	5,875
Income tax expense	1	(685)	(489)
Profit after tax		8,090	5,386
Other comprehensive income		-	-
Total comprehensive income		8,090	5,386
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	18.13	15.13

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

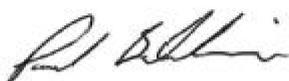
	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		43,040	31,753
Total comprehensive income for the year		<u>8,090</u>	<u>5,386</u>
Subscriptions from unitholders	5	38,391	5,901
Distributions to unitholders	4	<u>(569)</u>	<u>-</u>
		<u>37,822</u>	<u>5,901</u>
Unitholders' funds at the end of the year		<u><u>88,952</u></u>	<u><u>43,040</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		806	640
Investments in equity securities held at fair value through profit or loss		<u>90,488</u>	<u>42,884</u>
TOTAL ASSETS		<u>91,294</u>	<u>43,524</u>
LIABILITIES			
Management fees payable	6	(3)	(2)
Taxation payable		(348)	(118)
Funds held for unit purchases		(239)	(194)
Unsettled purchases of investments		<u>(1,752)</u>	<u>(170)</u>
TOTAL LIABILITIES		<u>(2,342)</u>	<u>(484)</u>
UNITHOLDERS' FUNDS		<u>88,952</u>	<u>43,040</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>91,294</u>	<u>43,524</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,062	780
<i>Cash was applied to:</i>		
Management fees paid	(243)	(176)
Taxation paid	<u>(268)</u>	<u>(289)</u>
Net cash flows from operating activities	<u>551</u>	<u>315</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(3,058)</u>	<u>(706)</u>
Net cash flows from investing activities	<u>(3,058)</u>	<u>(706)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	3,242	898
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(569)</u>	<u>-</u>
Net cash flows from financing activities	<u>2,673</u>	<u>898</u>
Net increase in cash and cash equivalents	166	507
Cash and cash equivalents at the beginning of the year	<u>640</u>	<u>133</u>
Cash and cash equivalents at the end of the year	<u>806</u>	<u>640</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	8,090	5,386
Net changes in fair value of financial assets at fair value through profit or loss	(8,047)	(5,056)
Foreign exchange loss/(gain)	277	(67)
Increase in taxation payable	230	62
Increase/(decrease) in management fees payable	<u>1</u>	<u>(10)</u>
Net cash flows from operating activities	<u>551</u>	<u>315</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Emerging Markets Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard FTSE Emerging Markets ETF (the 'Underlying Fund'), which tracks the FTSE Emerging Markets All Cap China A Inclusion Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard FTSE Emerging Markets ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(685)</u>	<u>(489)</u>
Total tax expense	<u>(685)</u>	<u>(489)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	2018	2017
	\$'000	\$'000
Profit before tax	<u>8,775</u>	<u>5,875</u>
Income tax using the statutory income tax rate 28%	(2,457)	(1,645)
Net changes in fair value of financial assets	2,251	1,415
Non taxable income	276	255
Tax on securities subject to FDR	<u>(755)</u>	<u>(514)</u>
	(685)	(489)
Income tax expense as per Statement of Comprehensive Income	<u>(685)</u>	<u>(489)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	685	408

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	8,090	5,386
Weighted average number of units ('000)	<u>44,624</u>	<u>35,588</u>
Basic and diluted earnings per unit (cents per unit)	<u>18.13</u>	<u>15.13</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
May 2017 (paid June 2017)	31/03/2018	0.53	201	-
Nov 2017 (paid Dec 2017)	31/03/2018	0.88	368	-
			<u>569</u>	<u>-</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 68,109,000 units on issue (31 March 2017: 37,587,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 30,522,000 (31 March 2017: 5,758,000) for total value of \$38,391,000 (31 March 2017: \$5,901,000).

The number of units redeemed during the year ended 31 March 2018 was nil (31 March 2017: nil) for total value of \$nil (31 March 2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	37,587	31,829
Subscriptions received during the year	<u>30,522</u>	<u>5,758</u>
Units on issue at the end of the year	<u>68,109</u>	<u>37,587</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.30602 (31 March 2017: \$1.14508). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 61,604,782 units (31 March 2017: 35,840,050) valued at \$78,918,000 (31 March 2017: \$41,117,000) in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$513,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$244,000 (31 March 2017: \$166,000), with \$3,000 (31 March 2017: \$2,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$7,000 (31 March 2017: \$5,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$8,000 (31 March 2017: \$5,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	806	640
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	90,488	42,884
<u>Other financial liabilities</u>		
Management fees payable	(3)	(2)
Funds held for unit purchases	(239)	(194)
Unsettled purchases of investments	(1,752)	(170)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$9,049,000 (31 March 2017: \$4,288,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	806	640

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	239	AA-	194	AA-
BNP Paribas	-	A	-	A
Westpac	567	AA-	446	AA-
	<u>806</u>		<u>640</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard FTSE Emerging Markets ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$8,874,000 (31 March 2017: \$4,271,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	90,488	42,884
Unsettled purchases of investments	(1,752)	(170)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

EMERGING MARKETS FUND



Independent Auditor's Report

To the unitholders of Emerging Markets Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Emerging Markets Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$913,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

EMERGING MARKETS FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Carrying amount of investments	
<p>The fund’s portfolio of investments makes up 99.1% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls — agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices — agreeing investment holdings to confirmations received from the administration manager <p>We did not identify any material differences in relation to the carrying amount of investments.</p>



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity’s Annual Report. Other information may include the Chairman’s report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor’s Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

EMERGING MARKETS FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington
24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	260	29.31%	156,737	0.22%
1,001-5,000	346	39.01%	892,662	1.28%
5,001-10,000	121	13.64%	894,971	1.28%
10,001-50,000	138	15.56%	2,787,554	4.00%
50,001-100,000	14	1.58%	964,388	1.38%
Greater than 100,000	8	0.90%	63,966,188	91.82%
TOTAL	887	100.00%	69,662,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	61,591,534	88.41%
Sharesies Nominee Limited	890,677	1.28%
FNZ Custodians Limited	676,454	0.97%
Nicoletta Maria Bartoli	231,501	0.33%
Brian Joseph Connor & Maureen Shannahan Connor	187,000	0.27%
Benjamin David Bonoma & Sarah Victoria Bonoma	181,249	0.26%
Sun Properties International Limited	107,080	0.15%
Graham Edward Taylor & Heather Doreen Taylor & David Snedden	100,693	0.14%
Karin Won	89,987	0.13%
Grant Wilbert Dorey	82,452	0.12%
Marcus Michael Yass	77,144	0.11%
Wendy Victoria Edmondson & Robert William Edmondson	76,805	0.11%
Investment Custodial Services Limited	75,303	0.11%
Claire Frances Trotter	72,011	0.10%
Darcy Cowan	70,649	0.10%
Billy Cheung Services Limited	65,278	0.09%
Gert Franz Johannes Starker & Elma Starker	62,430	0.09%
Richard George Lane	61,439	0.09%
Begg & Allen Properties Limited	59,729	0.09%
Nicole Monique Fawcett	58,482	0.08%
	64,817,897	93.03%

Total World Fund (TWF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Total World Fund

Report to Unitholders HIGHLIGHTS

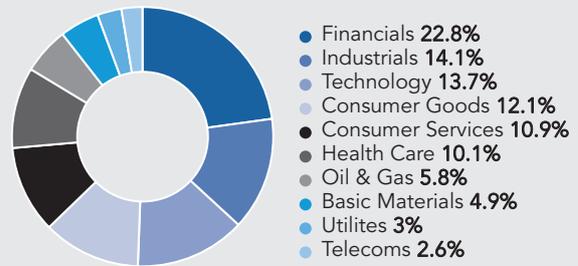
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$2.022	\$1.874
Units On Issue	16,221,773	17,030,500
Funds Under Management	\$32,799,938	\$31,923,093
Gross Distribution	\$0.023	\$0.010
Gross Distribution Yield	1.12%	0.53%
Gross Return	9.10%	12.66%
Total Fund Charges	0.55%	0.56%
Distributions paid	Semi-annual	

NTA Per Unit



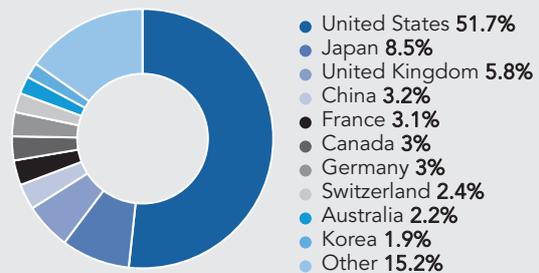
Sector Allocation



Growth of \$1,000*



Country Allocation



*Since inception with all distributions reinvested.

TOTAL WORLD FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)

Guy R. Elliffe

A. John Williams

Paul J. Baldwin

Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

TOTAL WORLD FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Total World Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

TOTAL WORLD FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		801	680
Net changes in fair value of financial assets at fair value through profit or loss		<u>3,387</u>	<u>3,375</u>
Total income		<u>4,188</u>	<u>4,055</u>
EXPENSES			
Management fees expense	6	(166)	(124)
Foreign exchange loss		<u>(12)</u>	<u>(4)</u>
Total expenses		<u>(178)</u>	<u>(128)</u>
Profit before tax		4,010	3,927
Income tax expense	1	<u>(468)</u>	<u>(349)</u>
Profit after tax		3,542	3,578
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>3,542</u>	<u>3,578</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>19.14</u>	<u>22.26</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		32,025	25,450
Total comprehensive income for the year		<u>3,542</u>	<u>3,578</u>
Subscriptions from unitholders	5	7,501	3,108
Redemptions by unitholders	5	(9,522)	-
Distributions to unitholders	4	<u>(298)</u>	<u>(111)</u>
		<u>(2,319)</u>	<u>2,997</u>
Unitholders' funds at the end of the year		<u><u>33,248</u></u>	<u><u>32,025</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		579	347
Receivables		1	104
Investments in equity securities held at fair value through profit or loss		<u>33,583</u>	<u>31,909</u>
TOTAL ASSETS		<u>34,163</u>	<u>32,360</u>
LIABILITIES			
Management fees payable	6	(1)	(1)
Taxation payable		(205)	(87)
Funds held for unit purchases		(249)	(117)
Unsettled purchases of investments		<u>(460)</u>	<u>(130)</u>
TOTAL LIABILITIES		<u>(915)</u>	<u>(335)</u>
UNITHOLDERS' FUNDS		<u>33,248</u>	<u>32,025</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>34,163</u>	<u>32,360</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	784	474
<i>Cash was applied to:</i>		
Management fees paid	(166)	(133)
Taxation paid	<u>(230)</u>	<u>(209)</u>
Net cash flows from operating activities	<u>388</u>	<u>132</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(3,040)</u>	<u>(1,204)</u>
Net cash flows from investing activities	<u>(3,040)</u>	<u>(1,204)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	3,194	1,312
<i>Cash was applied to:</i>		
Redemptions by unitholders	(12)	-
Distributions paid to unitholders	<u>(298)</u>	<u>(111)</u>
Net cash flows from financing activities	<u>2,884</u>	<u>1,201</u>
Net increase in cash and cash equivalents	232	129
Cash and cash equivalents at the beginning of the year	<u>347</u>	<u>218</u>
Cash and cash equivalents at the end of the year	<u>579</u>	<u>347</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	3,542	3,578
Net changes in fair value of financial assets at fair value through profit or loss	(3,387)	(3,375)
Foreign exchange loss	12	4
Increase in taxation payable	118	38
Decrease in management fees payable	-	(9)
Decrease/(increase) in receivables	<u>103</u>	<u>(104)</u>
Net cash flows from operating activities	<u>388</u>	<u>132</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Total World Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard Total World Stock ETF (the 'Underlying Fund'), which tracks the FTSE Global All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Total World Stock ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(468)</u>	<u>(349)</u>
Total tax expense	<u>(468)</u>	<u>(349)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	2018	2017
	\$'000	\$'000
Profit before tax	<u>4,010</u>	<u>3,927</u>
Income tax using the statutory income tax rate 28%	(1,123)	(1,100)
Net changes in fair value of financial assets	948	945
Non taxable income	223	190
Tax on securities subject to FDR	<u>(516)</u>	<u>(384)</u>
	(468)	(349)
Income tax expense as per Statement of Comprehensive Income	<u>(468)</u>	<u>(349)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	566	334

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	3,542	3,578
Weighted average number of units ('000)	<u>18,507</u>	<u>16,076</u>
Basic and diluted earnings per unit (cents per unit)	<u>19.14</u>	<u>22.26</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
July 2016 (paid August 2016)	31/03/2017	0.71	-	111
May 2017 (paid June 2017)	31/03/2018	0.98	171	-
November 2017 (paid December 2017)	31/03/2018	0.65	127	-
			298	111

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 16,222,000 units on issue (31 March 2017: 17,030,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 3,718,000 (31 March 2017: 1,798,000) for total value of \$7,501,000 (31 March 2017: \$3,108,000).

The number of units redeemed during the year ended 31 March 2018 was 4,526,000 (31 March 2017: nil) for total value of \$9,522,000 (31 March 2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	17,030	15,232
Subscriptions received during the year	3,718	1,798
Redemptions made during the year	(4,526)	-
Units on issue at the end of the year	16,222	17,030

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$2.04956 (31 March 2017: \$1.88050). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 10,157,447 units (31 March 2017: 14,514,171) valued at \$20,538,000 (31 March 2017: \$27,206,000) in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$237,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$166,000 (31 March 2017: \$124,000), with \$1,000 (31 March 2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$5,000 (31 March 2017: \$4,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$6,000 (31 March 2017: \$5,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	579	347
Receivables	1	104
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	33,583	31,909
<u>Other financial liabilities</u>		
Management fees payable	(1)	(1)
Funds held for unit purchases	(249)	(117)
Unsettled purchases of investments	(460)	(130)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$3,358,000 (31 March 2017: \$3,191,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	579	347
Receivables	1	104

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	249	AA-	117	AA-
BNP Paribas	-	A	-	A
Westpac	<u>330</u>	AA-	<u>230</u>	AA-
	<u><u>579</u></u>		<u><u>347</u></u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Total World Stock ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$3,312,000 (31 March 2017: \$3,189,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Receivables	1	104
Investments in equity securities held at fair value through profit or loss	33,583	31,909
Unsettled purchases of investments	(460)	(130)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

TOTAL WORLD FUND



Independent Auditor's Report

To the unitholders of Total World Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Total World Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$342,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

TOTAL WORLD FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.3% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

TOTAL WORLD FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	205	27.12%	109,983	0.66%
1,001-5,000	279	36.90%	729,756	4.39%
5,001-10,000	119	15.74%	830,251	4.99%
10,001-50,000	131	17.33%	2,778,167	16.70%
50,001-100,000	16	2.12%	1,028,507	6.18%
Greater than 100,000	6	0.79%	11,162,109	67.08%
TOTAL	756	100.00%	16,638,773	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	10,190,923	61.25%
Adminis Custodial Nominees Ltd Class D	401,631	2.41%
Custodial Services Limited	203,801	1.22%
FNZ Custodians Limited	132,217	0.79%
Graeme Andrew Don & Margaret Joan Don & Richard Vale Harris	117,737	0.71%
William Paul Mcsweeney & Margaret Helen Moretti	115,800	0.70%
Ursula Jayne Clark & Cms Trustees	92,500	0.56%
Ian Robert Mckim & Anne Marie Mckim	88,079	0.53%
Benjamin David Bonoma & Sarah Victoria Bonoma	77,036	0.46%
Caillor Ian Woon	71,144	0.43%
Rosalie Barnes	69,212	0.42%
Paul Anthony Wallace	67,777	0.41%
Karin Won	61,421	0.37%
Gopinath Nayar & Gellert Ivanson Trustee No 12 Limited	61,100	0.37%
Gordon Chan	59,869	0.36%
Eugene John Gibney	57,204	0.34%
Catherine Linda Marshall	55,733	0.33%
Timothy Shepheard Walwyn	54,461	0.33%
Jon Patrick Finn Angelo	53,893	0.32%
Nigel Russell Fannin & Rosemary Anne O'Brien & Kevin Wayne Harborne	53,712	0.32%
	12,085,250	72.63%

US Large Value Fund (USV)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the US Large Value Fund

Report to Unitholders HIGHLIGHTS

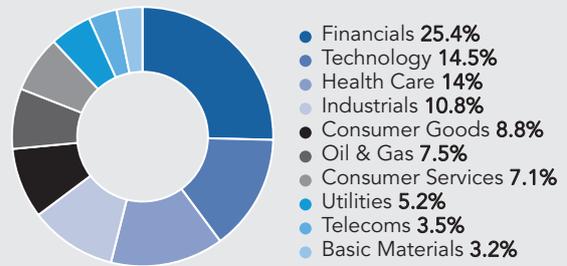
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$2.839	\$2.742
Units On Issue	19,289,500	13,214,500
Funds Under Management	\$54,767,713	\$36,228,456
Gross Distribution	\$0.033	\$0.032
Gross Distribution Yield	1.17%	1.17%
Gross Return	4.76%	15.63%
Total Fund Charges	0.51%	0.53%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

US LARGE VALUE FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)

Guy R. Elliffe

A. John Williams

Paul J. Baldwin

Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US LARGE VALUE FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Large Value Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

US LARGE VALUE FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		1,026	855
Net changes in fair value of financial assets at fair value through profit or loss		<u>1,374</u>	<u>4,670</u>
Total income		<u>2,400</u>	<u>5,525</u>
EXPENSES			
Management fees expense	6	(174)	(149)
Foreign exchange loss		<u>(91)</u>	<u>(5)</u>
Total expenses		<u>(265)</u>	<u>(154)</u>
Profit before tax		2,135	5,371
Income tax expense	1	<u>(489)</u>	<u>(418)</u>
Profit after tax		1,646	4,953
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,646</u>	<u>4,953</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>11.80</u>	<u>37.75</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		36,314	31,111
Total comprehensive income for the year		<u>1,646</u>	<u>4,953</u>
Subscriptions from unitholders	5	17,876	551
Distributions to unitholders	4	<u>(321)</u>	<u>(301)</u>
		<u>17,555</u>	<u>250</u>
Unitholders' funds at the end of the year		<u><u>55,515</u></u>	<u><u>36,314</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		539	380
Investments in equity securities held at fair value through profit or loss		<u>56,466</u>	<u>36,111</u>
TOTAL ASSETS		<u>57,005</u>	<u>36,491</u>
LIABILITIES			
Management fees payable	6	(2)	(1)
Taxation payable		(196)	(102)
Funds held for unit purchases		(33)	(19)
Unsettled purchases of investments		<u>(1,259)</u>	<u>(55)</u>
TOTAL LIABILITIES		<u>(1,490)</u>	<u>(177)</u>
UNITHOLDERS' FUNDS		<u>55,515</u>	<u>36,314</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>57,005</u>	<u>36,491</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	872	727
<i>Cash was applied to:</i>		
Management fees paid	(173)	(160)
Taxation paid	<u>(241)</u>	<u>(241)</u>
Net cash flows from operating activities	<u>458</u>	<u>326</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(387)</u>	<u>(372)</u>
Net cash flows from investing activities	<u>(387)</u>	<u>(372)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	409	330
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(321)</u>	<u>(301)</u>
Net cash flows from financing activities	<u>88</u>	<u>29</u>
 Net increase/(decrease) in cash and cash equivalents	159	(17)
Cash and cash equivalents at the beginning of the year	<u>380</u>	<u>397</u>
Cash and cash equivalents at the end of the year	<u>539</u>	<u>380</u>
 Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,646	4,953
Net changes in fair value of financial assets at fair value through profit or loss	(1,374)	(4,670)
Foreign exchange loss	91	5
Increase in taxation payable	94	49
Increase/(decrease) in management fees payable	<u>1</u>	<u>(11)</u>
Net cash flows from operating activities	<u>458</u>	<u>326</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The US Large Value Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard Value ETF (the 'Underlying Fund'), which tracks the CRSP US Large Cap Value Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Value ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(489)</u>	<u>(418)</u>
Total tax expense	<u>(489)</u>	<u>(418)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>2,135</u>	<u>5,371</u>
Income tax using the statutory income tax rate 28%	(598)	(1,504)
Net changes in fair value of financial assets	383	1,308
Non taxable income	265	238
Tax on securities subject to FDR	<u>(539)</u>	<u>(460)</u>
	(489)	(418)
Income tax expense as per Statement of Comprehensive Income	<u>(489)</u>	<u>(418)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	496	285

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	1,646	4,953
Weighted average number of units ('000)	<u>13,947</u>	<u>13,119</u>
Basic and diluted earnings per unit (cents per unit)	<u>11.80</u>	<u>37.75</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
April 2016 (paid May 2016)	31/03/2017	0.86	-	112
November 2016 (paid December 2016)	31/03/2017	1.44	-	189
May 2017 (paid June 2017)	31/03/2018	0.96	128	-
November 2017 (paid December 2017)	31/03/2018	1.43	193	-
			<u>321</u>	<u>301</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 19,290,000 units on issue (31 March 2017: nil).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 6,075,000 (31 March 2017: 221,000) for total value of \$17,876,000 (31 March 2017: \$551,000).

The number of units redeemed during the year ended 31 March 2018 was nil (31 March 2017: nil) for total value of \$nil (31 March 2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	13,215	12,994
Subscriptions received during the year	<u>6,075</u>	<u>221</u>
Units on issue at the end of the year	<u>19,290</u>	<u>13,215</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$2.87792 (31 March 2017: \$2.74794). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 19,057,971 units (31 March 2017: 12,917,842) valued at \$54,110,000 (31 March 2017: \$35,415,000) in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$309,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$111,000). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$174,000 (31 March 2017: \$149,000), with \$2,000 (31 March 2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$4,000 (31 March 2017: \$4,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$1,000 (31 March 2017: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	539	380
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	56,466	36,111
<u>Other financial liabilities</u>		
Management fees payable	(2)	(1)
Funds held for unit purchases	(33)	(19)
Unsettled purchases of investments	(1,259)	(55)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$5,647,000 (31 March 2017: \$3,611,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	539	380

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017
	Balance	Credit	Balance
	\$'000	rating	\$'000
			rating
ANZ	33	AA-	19
BNP Paribas	-	A	-
Westpac	506	AA-	361
	<u>539</u>		<u>380</u>

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Value ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$5,521,000 (31 March 2017: \$3,606,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	56,466	36,111
Unsettled purchases of investments	(1,259)	(55)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US LARGE VALUE FUND



Independent Auditor's Report

To the unitholders of US Large Value Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Large Value Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$570,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US LARGE VALUE FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 99.1% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

US LARGE VALUE FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	76	42.22%	34,606	0.17%
1,001-5,000	73	40.56%	191,799	0.97%
5,001-10,000	15	8.33%	112,529	0.57%
10,001-50,000	13	7.22%	186,520	0.94%
50,001-100,000	1	0.56%	54,553	0.28%
Greater than 100,000	2	1.11%	19,239,493	97.07%
TOTAL	180	100.00%	19,819,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	19,132,066	96.53%
FNZ Custodians Limited	107,427	0.54%
Benjamin David Bonoma & Sarah Victoria Bonoma	54,553	0.28%
Matthew Weir	30,140	0.15%
Billy Cheung Services Limited	23,170	0.12%
Lynn Mathias Clayton & Michael Rowley Clayton & Cameron Denis Clayton	19,300	0.10%
Michael Frederick Keith	17,154	0.09%
Rosalie Barnes	12,457	0.06%
Adam Charles Tommy & Shu Yu Tseng	11,303	0.06%
Robert Andrew James Stewart	11,056	0.06%
Julie Ann Worsley	10,740	0.05%
Ryan Mark Lewis & Beatrice Schuster Lewis	10,472	0.05%
4 Eyes Limited	10,350	0.05%
Julian Oliver Smith	10,215	0.05%
Hamish Davidson	10,082	0.05%
David Mountfort Haywood & Annette Maree Haywood	10,081	0.05%
Andrew William Smith	9,879	0.05%
Craigs Investment Partners Limited	9,793	0.05%
Linda Faye Graham & Trustee Management Services Limited	9,642	0.05%
Weisi Xia	9,337	0.05%
	19,519,217	98.49%

US Large Growth Fund (USG)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the US Large Growth Fund

Report to Unitholders

HIGHLIGHTS

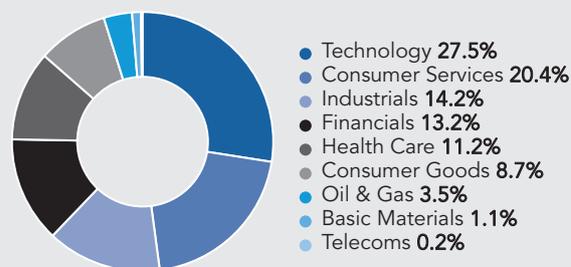
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$3.840	\$3.458
Units On Issue	5,215,034	10,478,850
Funds Under Management	\$20,024,583	\$36,239,702
Gross Distribution	-	-
Gross Distribution Yield	N/A	N/A
Gross Return	11.03%	12.32%
Total Fund Charges	0.51%	0.53%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



US LARGE GROWTH FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)

Guy R. Elliffe

A. John Williams

Paul J. Baldwin

Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US LARGE GROWTH FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Large Growth Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

US LARGE GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		419	474
Net changes in fair value of financial assets at fair value through profit or loss		<u>6,038</u>	<u>4,320</u>
Total income		<u>6,457</u>	<u>4,794</u>
EXPENSES			
Management fees expense	5	(176)	(148)
Foreign exchange loss		<u>(16)</u>	<u>(4)</u>
Total expenses		<u>(192)</u>	<u>(152)</u>
Profit before tax		6,265	4,642
Income tax expense	1	<u>(499)</u>	<u>(418)</u>
Profit after tax		5,766	4,224
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>5,766</u></u>	<u><u>4,224</u></u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u><u>56.09</u></u>	<u><u>40.58</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		36,432	31,794
Total comprehensive income for the year		<u>5,766</u>	<u>4,224</u>
Subscriptions from unitholders	4	2,527	475
Redemptions by unitholders	4	<u>(24,348)</u>	<u>(61)</u>
		<u>(21,821)</u>	<u>414</u>
Unitholders' funds at the end of the year		<u><u>20,377</u></u>	<u><u>36,432</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		232	189
Investments in equity securities held at fair value through profit or loss		<u>20,582</u>	<u>36,396</u>
TOTAL ASSETS		<u>20,814</u>	<u>36,585</u>
LIABILITIES			
Management fees payable	5	(1)	(1)
Taxation payable		(260)	(118)
Funds held for unit purchases		(42)	(34)
Unsettled purchases of investments		<u>(134)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(437)</u>	<u>(153)</u>
UNITHOLDERS' FUNDS		<u>20,377</u>	<u>36,432</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>20,814</u>	<u>36,585</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	356	403
<i>Cash was applied to:</i>		
Management fees paid	(176)	(159)
Taxation paid	<u>(294)</u>	<u>(295)</u>
Net cash flows from operating activities	<u>(114)</u>	<u>(51)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	175	71
<i>Cash was applied to:</i>		
Purchase of investments	<u>(941)</u>	<u>(380)</u>
Net cash flows from investing activities	<u>(766)</u>	<u>(309)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	929	398
<i>Cash was applied to:</i>		
Redemptions by unitholders	(6)	-
Distributions paid to unitholders	<u>-</u>	<u>-</u>
Net cash flows from financing activities	<u>923</u>	<u>398</u>
Net increase in cash and cash equivalents	43	38
Cash and cash equivalents at the beginning of the year	<u>189</u>	<u>151</u>
Cash and cash equivalents at the end of the year	<u>232</u>	<u>189</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	5,766	4,224
Net changes in fair value of financial assets at fair value through profit or loss	(6,038)	(4,320)
Foreign exchange loss	16	4
Increase in taxation payable	142	52
Decrease in management fees payable	<u>-</u>	<u>(11)</u>
Net cash flows from operating activities	<u>(114)</u>	<u>(51)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The US Large Growth Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard Growth ETF (the 'Underlying Fund'), which tracks the CRSP US Large Cap Growth Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Growth ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(499)</u>	<u>(418)</u>
Total tax expense	<u>(499)</u>	<u>(418)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	2018	2017
	\$'000	\$'000
Profit before tax	<u>6,265</u>	<u>4,642</u>
Income tax using the statutory income tax rate 28%	(1,754)	(1,300)
Net changes in fair value of financial assets	1,690	1,210
Non taxable income	114	132
Tax on securities subject to FDR	<u>(549)</u>	<u>(460)</u>
	(499)	(418)
Income tax expense as per Statement of Comprehensive Income	<u>(499)</u>	<u>(418)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	988	552

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	5,766	4,224
Weighted average number of units ('000)	<u>10,280</u>	<u>10,409</u>
Basic and diluted earnings per unit (cents per unit)	<u>56.09</u>	<u>40.58</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 5,215,000 units on issue (31 March 2017: 10,479,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 657,000 (31 March 2017: 150,000) for total value of \$2,527,000 (31 March 2017: \$475,000).

The number of units redeemed during the year ended 31 March 2018 was 5,921,000 (31 March 2017: 20,000) for total value of \$24,348,000 (31 March 2017: \$61,000).

	2018	2017
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	10,479	10,349
Subscriptions received during the year	657	150
Redemptions made during the year	(5,921)	(20)
Units on issue at the end of the year	5,215	10,479

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$3.90738 (31 March 2017: \$3.47667). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

5. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 4,243,865 units (31 March 2017: 10,125,160) valued at \$16,296,000 (31 March 2017: \$35,017,000) in the Fund.

Distributions

The Fund paid distributions of \$nil to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$176,000 (31 March 2017: \$148,000), with \$1,000 (31 March 2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$2,000 (31 March 2017: \$2,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$4,000 (31 March 2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	232	189
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	20,582	36,396
<u>Other financial liabilities</u>		
Management fees payable	(1)	(1)
Funds held for unit purchases	(42)	(34)
Unsettled purchases of investments	(134)	-

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

6a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$2,058,000 (31 March 2017: \$3,640,000).

6b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	232	189

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018	2017
Balance	Credit	Credit
\$'000	rating	rating
ANZ	42	34
BNP Paribas	-	-
Westpac	190	155
	<u>232</u>	<u>189</u>

6c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Growth ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

6d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$2,045,000 (31 March 2017: \$3,640,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	20,582	36,396
Unsettled purchases of investments	(134)	-

7. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

8. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US LARGE GROWTH FUND



Independent Auditor's Report

To the unitholders of US Large Growth Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Large Growth Fund (the fund) on pages 3 to 13:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$208,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US LARGE GROWTH FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.9% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

US LARGE GROWTH FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	219	52.52%	93,323	1.77%
1,001-5,000	154	36.93%	370,533	7.01%
5,001-10,000	29	6.95%	214,377	4.06%
10,001-50,000	11	2.64%	167,771	3.17%
50,001-100,000	3	0.72%	165,675	3.13%
Greater than 100,000	1	0.24%	4,273,565	80.86%
TOTAL	417	100.00%	5,285,244	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	4,273,565	80.86%
Benjamin David Bonoma & Sarah Victoria Bonoma	61,900	1.17%
David John Craig	52,500	0.99%
FNZ Custodians Limited	51,275	0.97%
Matthew Weir	22,000	0.42%
Karen Marie Fairweather	21,980	0.42%
Billy Cheung Services Limited	17,822	0.34%
Christopher Seller	15,869	0.30%
Arthur William Young & Peter Webster Wilson	15,134	0.29%
Timothy Orlando Reep & Kim Angela Orlando Reep	15,000	0.28%
Simon Roy Vannini	14,623	0.28%
Marcus Michael Yass	12,670	0.24%
Nigel Russell Fannin & Rosemary Anne O'Brien	11,000	0.21%
Karen Anne Tews & Christopher John Tews	10,969	0.21%
James Punnett	10,704	0.20%
Daniel John Brader	10,000	0.19%
Susan Rae Fawcet	9,900	0.19%
Kyra Marion Cooper	9,810	0.19%
Michael Rodney Ogle	9,800	0.19%
Rachel Marie Baxter	9,516	0.18%
	4,656,037	88.12%

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2018. The total number of units on issue at 31 March 2018 was 5,215,034.

NZ Mid Cap Fund (MDZ)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the NZ Mid Cap Fund

Report to Unitholders

HIGHLIGHTS

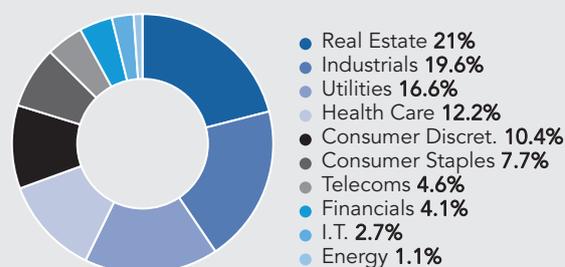
Launch Date 16-Jun-97

	March 2018	March 2017
Net Tangible Assets (NTA)	\$4.741	\$4.140
Units On Issue	20,540,674	18,650,223
Funds Under Management	\$97,392,784	\$77,204,618
Gross Distribution	\$0.183	\$0.140
Gross Distribution Yield	3.86%	3.39%
Gross Return	19.20%	9.14%
Total Fund Charges	0.60%	0.75%
Distributions paid	Semi-annual	

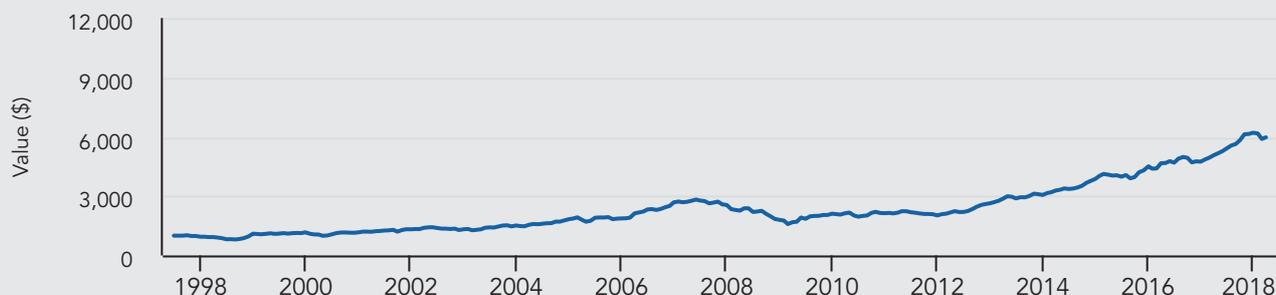
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

NZ MID CAP FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ MID CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Mid Cap Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ MID CAP FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
INCOME			
Dividend income		3,620	1,347
Securities lending income		19	5
Net changes in fair value of financial assets at fair value through profit or loss		<u>11,305</u>	<u>6,029</u>
Total income		<u>14,944</u>	<u>7,381</u>
EXPENSES			
Management fees expense	6	(610)	(220)
Miscellaneous expenses		<u>(5)</u>	<u>(1)</u>
Total expenses		<u>(615)</u>	<u>(221)</u>
Profit before tax		14,329	7,160
Income tax credit	1	<u>(50)</u>	<u>30</u>
Profit after tax		14,279	7,190
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>14,279</u>	<u>7,190</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>70.96</u>	<u>38.93</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

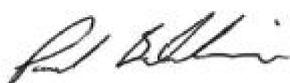
		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the year/period		77,377	-
Total comprehensive income for the year/period		<u>14,279</u>	<u>7,190</u>
Subscriptions from unitholders	5	14,761	71,417
Redemptions by unitholders	5	(6,243)	(389)
Distributions to unitholders	4	<u>(2,656)</u>	<u>(841)</u>
		<u>5,862</u>	<u>70,187</u>
Unitholders' funds at the end of the year/period		<u><u>97,518</u></u>	<u><u>77,377</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,450	2,225
Receivables		435	435
Investments in equity securities held at fair value through profit or loss		95,900	76,858
Deferred tax asset		-	30
Unsettled sales of investments		<u>182</u>	<u>-</u>
TOTAL ASSETS		<u>97,967</u>	<u>79,548</u>
LIABILITIES			
Management fees payable	6	(5)	(5)
Deferred tax liability		(15)	-
Distribution payable to unitholders		(3)	-
Funds held for unit purchases		(244)	(1,352)
Other current liabilities		-	(1)
Unsettled purchases of investments		<u>(182)</u>	<u>(813)</u>
TOTAL LIABILITIES		<u>(449)</u>	<u>(2,171)</u>
UNITHOLDERS' FUNDS		<u>97,518</u>	<u>77,377</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>97,967</u>	<u>79,548</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.




Director

Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	3,621	932
Securities lending income received	18	4
<i>Cash was applied to:</i>		
Management fees paid	(610)	(215)
Taxation paid	(5)	-
Miscellaneous expenses paid	<u>(5)</u>	<u>(1)</u>
Net cash flows from operating activities	<u>3,019</u>	<u>720</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	28,769	2,898
Net repayments from the Manager	-	2
<i>Cash was applied to:</i>		
Purchase of investments	<u>(36,098)</u>	<u>(4,079)</u>
Net cash flows from investing activities	<u>(7,329)</u>	<u>(1,179)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	6,215	3,530
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(27)	(5)
Distributions paid to unitholders	<u>(2,653)</u>	<u>(841)</u>
Net cash flows from financing activities	<u>3,535</u>	<u>2,684</u>
Net (decrease)/increase in cash and cash equivalents	(775)	2,225
Cash and cash equivalents at the beginning of year/period	<u>2,225</u>	<u>-</u>
Cash and cash equivalents at the end of year/period	<u>1,450</u>	<u>2,225</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	14,279	7,190
Net changes in fair value of financial assets at fair value through profit or loss	(11,305)	(6,029)
Decrease/(increase) in deferred tax asset	30	(30)
Increase in deferred tax liability	15	-
Increase in management fees payable	-	5
Increase in receivables	<u>-</u>	<u>(416)</u>
Net cash flows from operating activities	<u>3,019</u>	<u>720</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Mid Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/NZX Mid Cap Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year/period presented.

Comparative period

These financial statements are for the year ended 31 March 2018. The comparative figures are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held are attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from its investments in securities and securities lending income after the deduction of management fees. The Fund is able to utilise imputation credits when they arise. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends. Tax losses that have arisen in prior years and the current reporting period have not been recognised as an asset in the Statement of Financial Position as it is unlikely that the tax losses will be able to be utilised in future reporting periods.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all of its income from its New Zealand equity investments.

Changes in accounting policies and accounting standards adopted during the period

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	31 March 2018 \$'000	31 March 2017 \$'000
Tax credit comprises:		
Current tax expense	(5)	-
Prior period adjustment	(49)	-
Deferred tax movement	<u>4</u>	<u>30</u>
Total tax credit	<u>(50)</u>	<u>30</u>

The prima facie income tax expense on profit before tax reconciles to the income tax (credit)/expense in the financial statements as follows:

	31 March 2018 \$'000	31 March 2017 \$'000
Income tax expense		
Profit before tax	<u>14,329</u>	<u>7,160</u>
Income tax using the statutory income tax rate 28%	(4,012)	(2,005)
Net changes in fair value of financial assets	3,164	1,688
Non taxable income	140	139
Gross up of imputation credits	<u>(303)</u>	<u>(81)</u>
	(1,011)	(259)
Less imputation credits and other tax credits	1,082	289
Tax losses written off	(72)	-
Prior period adjustment	<u>(49)</u>	<u>-</u>
Income tax (expense)/credit as per Statement of Comprehensive Income	<u>(50)</u>	<u>30</u>

	31 March 2018 \$'000	31 March 2017 \$'000
Deferred tax		
Opening balance	30	-
Current period movement	4	30
Prior period adjustment	<u>(49)</u>	<u>-</u>
Closing balance	<u>(15)</u>	<u>30</u>

	31 March 2018 \$'000	31 March 2017 \$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	519	423

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The following table presents the fund's assets and liabilities measured and recognised at fair value as at 31 March 2018.

	31 March 2018			31 March 2017		
	Level 1 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets</i>						
Equity securities	95,808	92	95,900	76,858	-	76,858

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

As at 31 March 2018 there was one transfer (31 March 2017: none) from level 1 to level 3 totalling \$92,000 (31 March 2017: \$nil).

The Fund's level 3 investment is an unquoted investment held by the Fund which is reviewed on a monthly basis by the Fund's oversight committee. The Fund initially valued the investment using the entry price and subsequently revalued the investment per the Fund's 'Measurement' policy in the Statement of Accounting Policies.

3. EARNINGS PER UNIT

The basic earnings/(losses) per unit (EPU) is calculated by dividing the net profit/(loss) attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2018	31 March 2017
Profit after tax (\$'000)	14,279	7,190
Weighted average number of units ('000)	20,124	18,470
Basic and diluted earnings per unit (cents per unit)	70.96	38.93

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2018 \$'000	31 March 2017 \$'000
November 2016 (paid December 2016)	31/03/2017	4.62	-	841
May 2017 (paid June 2017)	31/03/2018	6.08	1,151	-
November 2017 (paid December 2017)	31/03/2018	7.22	1,505	-
			2,656	841

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 20,541,000 (31 March 2017: 18,650,000) units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 3,200,000 (31 March 2017: 18,750,000) for total value of \$14,761,000 (31 March 2017: \$71,417,000).

The number of units redeemed during the year ended 31 March 2018 was 1,309,000 (31 March 2017: 100,000) for total value of \$6,243,000 (31 March 2017: \$389,000)

	31 March 2018 '000	31 March 2017 '000
Movement in the number of units		
Balance at the beginning of the year/period	18,650	-
Subscriptions received during the year/period	3,200	18,750
Redemptions made during the year/period	<u>(1,309)</u>	<u>(100)</u>
Units on issue at the end of the year/period	<u>20,541</u>	<u>18,650</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$4.74748 (31 March 2017: \$4.14890). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund holds shares in NZX Limited as NZX Limited shares constitute part of the Index that the Fund tracks.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by Smartshares Limited, a wholly owned subsidiary of NZX Limited, held 879,138 (31 March 2017: 2,067,765) units valued at \$4,168,000 (31 March 2017: \$8,560,000) in the Fund.

Distributions

The Fund paid distributions of \$277,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$95,000). The balance remaining as payable at the end of the year was \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$610,000 (31 March 2017: \$220,000) with \$5,000 (31 March 2017: \$5,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2018, total direct purchase application fees amounted to \$10,000 (31 March 2017: \$4,000) and the total interest earned on cash at banks amounted to \$29,000 (31 March 2017: \$7,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

As at 31 March 2018 the Fund had a receivable from the Manager of \$nil (31 March 2017: payable to the Manager of \$1,000).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

The Fund has a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2018 the value of securities the Fund had on loan to NZCL was \$2,676,000 (31 March 2017: \$2,318,000).

Total security lending fees for the year ended 31 March 2018 amounted to \$19,000 (31 March 2017: \$5,000), with the accrued fees due to the Fund of \$2,000 (31 March 2017: \$1,000). The fees earned by the Fund represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in accordance to the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	31 March 2018 \$'000	31 March 2017 \$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,450	2,225
Receivables	435	435
Unsettled sales of investments	182	-
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	95,900	76,858
<i><u>Other financial liabilities</u></i>		
Management fees payable	(5)	(5)
Distribution payable to unitholders	(3)	-
Funds held for unit purchases	(244)	(1,352)
Other current liabilities	-	(1)
Unsettled purchases of investments	(182)	(813)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease of equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$9,590,000 (31 March 2017: \$7,686,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at the reporting date are:

	31 March 2018	31 March 2017
	\$'000	\$'000
Cash and cash equivalents	1,450	2,225
Receivables	435	435
Unsettled sales of investments	182	-

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	31 March 2018		31 March 2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	388	AA-	1,495	AA-
BNZ	<u>1,062</u>	AA-	<u>730</u>	AA-
	<u>1,450</u>		<u>2,225</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund would encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities will fail to deliver equivalent securities on termination of a loan or would encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund will result in errors, fraud or misconduct that will cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2018, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ MID CAP FUND



Independent Auditor's Report

To the unitholders of NZ Mid Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Mid Cap Fund (the fund) on pages 3 to 15:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$980,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ MID CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 97.9% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ MID CAP FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	849	30.42%	322,379	1.56%
1,001-5,000	995	35.65%	2,577,255	12.49%
5,001-10,000	486	17.41%	3,464,776	16.79%
10,001-50,000	422	15.12%	7,758,742	37.59%
50,001-100,000	23	0.82%	1,554,283	7.53%
Greater than 100,000	16	0.57%	4,963,239	24.05%
TOTAL	2,791	100.00%	20,640,674	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	963,175	4.67%
Anna Elisabeth Minnaar	923,715	4.48%
Adminis Custodial Nominees Ltd Class D	452,729	2.19%
Custodial Services Limited	375,989	1.82%
FNZ Custodians Limited	250,806	1.22%
Custodial Services Limited	233,140	1.13%
New Zealand Law Foundation	214,252	1.04%
Custodial Services Limited	206,151	1.00%
Sharesies Nominee Limited	201,872	0.98%
Nicholas John Blythe	178,633	0.87%
Bnp Paribas Nominees NZ Limited	175,483	0.85%
Peter French Meyer	165,400	0.80%
Keith Orsbourne Ballagh & Josephine Jane Frances Ballagh	116,557	0.56%
Adminis Custodial Nominees Ltd Class C	113,278	0.55%
Citibank Nominees (Nz) Ltd	109,465	0.53%
Custodial Services Limited	106,736	0.52%
North Star Trustees Limited	105,433	0.51%
Custodial Services Limited	98,754	0.48%
Gwenda Heron Trustee Limited	96,889	0.47%
David Bruce Whyte & Jane Karinya Whyte	92,629	0.45%
	5,181,086	25.12%

Australian Mid Cap Fund (MZY)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Australian Mid Cap Fund

Report to Unitholders

HIGHLIGHTS

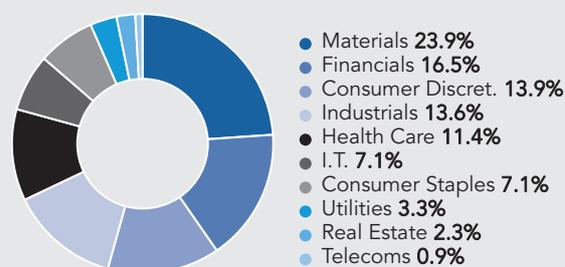
Launch Date 27-Sep-04

	March 2018	March 2017
Net Tangible Assets (NTA)	\$6.762	\$6.356
Units On Issue	16,607,274	15,107,274
Funds Under Management	\$112,300,380	\$96,020,118
Gross Distribution	\$0.131	\$0.124
Gross Distribution Yield	1.93%	1.94%
Gross Return	8.52%	16.80%
Total Fund Charges	0.75%	0.75%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000



AUSTRALIAN MID CAP FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN MID CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Mid Cap Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

AUSTRALIAN MID CAP FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
INCOME			
Dividend income		4,283	1,675
Net changes in fair value of financial assets at fair value through profit or loss		6,440	13,096
Foreign exchange gain		-	43
Total income		<u>10,723</u>	<u>14,814</u>
EXPENSES			
Management fees expense	6	(806)	(263)
Foreign exchange loss		(4)	-
Interest expense		(1)	-
Miscellaneous expenses		(10)	(8)
Total expenses		<u>(821)</u>	<u>(271)</u>
Profit before tax		9,902	14,543
Income tax expense	1	(1,064)	(434)
Profit after tax		8,838	14,109
Other comprehensive income		-	-
Total comprehensive income		<u><u>8,838</u></u>	<u><u>14,109</u></u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u><u>54.53</u></u>	<u><u>95.19</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

		Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
	Note		
Unitholders' funds at the beginning of the year/period		96,264	-
Total comprehensive income for the year/period		<u>8,838</u>	<u>14,109</u>
Subscriptions from unitholders	5	9,989	82,961
Redemptions by unitholders	5	(522)	-
Distributions to unitholders	4	<u>(1,809)</u>	<u>(806)</u>
		<u>7,658</u>	<u>82,155</u>
Unitholders' funds at the end of the year/period		<u><u>112,760</u></u>	<u><u>96,264</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,918	2,341
Receivables		543	509
Investments in equity securities held at fair value through profit or loss		111,412	95,008
TOTAL ASSETS		113,873	97,858
LIABILITIES			
Management fees payable	6	(7)	(6)
Taxation payable		(910)	(200)
Deferred tax payable		(143)	(124)
Distribution payable to unitholders		(1)	-
Funds held for unit purchases		(52)	(1,099)
Unsettled purchases of investments		-	(164)
Other current liabilities		-	(1)
TOTAL LIABILITIES		(1,113)	(1,594)
UNITHOLDERS' FUNDS		112,760	96,264
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		113,873	97,858

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Year Ended 31 March 2018 \$'000	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	4,192	1,272
<i>Cash was applied to:</i>		
Management fees paid	(805)	(257)
Taxation paid	(278)	(55)
Interest paid	(1)	-
Miscellaneous expenses paid	(10)	(8)
Net cash flows from operating activities	<u>3,098</u>	<u>952</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	19,918	15,442
Net repayments from the Manager	-	1
<i>Cash was applied to:</i>		
Purchase of investments	(23,536)	(16,093)
Net repayments to the Manager	(1)	-
Net cash flows from investing activities	<u>(3,619)</u>	<u>(650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,897	2,847
<i>Cash was applied to:</i>		
Redemptions by unitholders	(5)	-
Distributions paid to unitholders	(1,808)	(808)
Net cash flows from financing activities	<u>84</u>	<u>2,039</u>
Net (decrease)/increase in cash and cash equivalents	(437)	2,341
Cash and cash equivalents at the beginning of the year/period	2,341	-
Effect of exchange rate fluctuations on cash and cash equivalents	14	-
Cash and cash equivalents at the end of the year/period	<u>1,918</u>	<u>2,341</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	8,838	14,109
Net changes in fair value of financial assets at fair value through profit or loss	(6,440)	(13,096)
Foreign exchange loss/(gain)	4	(43)
Increase in taxation payable	710	200
Increase in deferred tax payable	19	124
Increase in management fees payable	1	6
Increase in receivables	(34)	(348)
Net cash flows from operating activities	<u>3,098</u>	<u>952</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Australian Mid Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Market Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX Mid Cap 50 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Comparative period

These financial statements are for the year ended 31 March 2018. The comparative figures are for the period 9 September 2016 to 31 March 2017.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund committed to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from its investment in securities after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund receives all of its income from its Australian equity investments.

Changes in accounting policies and accounting standards adopted during the period

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	31 March 2018 \$'000	31 March 2017 \$'000
Tax expense comprises:		
Current tax expense	(1,043)	(310)
Prior period adjustment	(2)	-
Deferred tax movement	(19)	(124)
Total tax expense	<u>(1,064)</u>	<u>(434)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	31 March 2018 \$'000	31 March 2017 \$'000
Profit before tax	9,902	14,543
Income tax using the statutory income tax rate 28%	(2,773)	(4,072)
Net changes in fair value of financial assets	1,762	3,667
Non taxable income	132	46
Tax on securities subject to FDR	(190)	(67)
	(1,069)	(426)
Less imputation credits and other tax credits	7	(8)
Prior period adjustment	(2)	-
Income tax expense as per Statement of Comprehensive Income	<u>(1,064)</u>	<u>(434)</u>

Deferred tax

	31 March 2018 \$'000	31 March 2018 \$'000
Opening balance	(124)	-
Current period movement	(19)	(124)
Closing balance	<u>(143)</u>	<u>(124)</u>

Imputation credit account (ICA)

	31 March 2018 \$'000	31 March 2017 \$'000
Imputation credits available for use in subsequent periods	985	254

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2018	31 March 2017
Profit after tax (\$'000)	8,838	14,109
Weighted average number of units ('000)	16,207	14,822
Basic and diluted earnings per unit (cents per unit)	54.53	95.19

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

		Distribution per unit (cents per unit)	31 March 2018 \$'000	31 March 2017 \$'000
Year ended	Year ended			
November 2016 (paid December 2016)	31/03/2017	5.57	-	808
May 2017 (paid June 2017)	31/03/2018	5.65	862	-
June 2017 (paid December 2017)	31/03/2018	5.72	942	-
			1,804	808

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 16,607,000 (31 March 2017: 15,107,000) units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 1,575,000 (31 March 2017: 15,107,000) for total value of \$9,989,000 (31 March 2017: \$82,961,000).

The number of units redeemed during the year ended 31 March 2018 was 75,000 (31 March 2017: nil) for total value of \$522,000 (31 March 2017: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS (Continued)

	31 March 2018 '000	31 March 2017 '000
Movement in the number of units		
Balance at the beginning of the year/period	15,107	-
Subscriptions received during the year/period	1,575	15,107
Redemptions made during the year/period	(75)	-
Units on issue at the end of the year/period	16,607	15,107

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$6.78991 (31 March 2017: \$6.37215). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by Smartshares Limited, a wholly owned subsidiary of NZX Limited, held 8,018,706 (31 March 2017: 6,891,447) units valued at \$54,223,000 (31 March 2017: \$43,801,000) in the Fund.

Distributions

The Fund paid distributions of \$847,000 to SLI for the year ended 31 March 2018 (31 March 2017: \$354,000). The balance remaining as payable at the end of the year was \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$806,000 (31 March 2017: \$263,000) with \$7,000 (31 March 2017: \$6,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2018, total direct purchase application fees amounted to \$2,000 (31 March 2017: \$1,000) and the total interest earned on cash at banks amounted to \$18,000 (31 March 2017: \$4,000).

Other related party transactions

As at 31 March 2018 the Fund had other payables to the Manager of \$nil (31 March 2017: \$1,000).

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category	31 March 2018 \$'000	31 March 2017 \$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,918	2,341
Receivables	543	509
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	111,412	95,008
<i><u>Other financial liabilities</u></i>		
Management fees payable	(7)	(6)
Distribution payable to unitholders	(1)	-
Funds held for unit purchases	(52)	(1,099)
Unsettled purchases of investments	-	(164)
Other current liabilities	-	(1)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$11,141,000 (31 March 2017: \$9,501,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	31 March 2018 \$'000	31 March 2017 \$'000
Cash and cash equivalents	1,918	2,341
Receivables	543	509

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	31 March 2018		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	329	AA-	1,382	AA-
BNP Paribas	55	A	6	A
Westpac	<u>1,534</u>	AA-	<u>953</u>	AA-
	<u>1,918</u>		<u>2,341</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that were settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$11,197,000 (31 March 2017: \$9,533,000).

The table below summarises the Fund's exposure to currency risks.

	31 March 2018 \$'000	31 March 2017 \$'000
Australian dollar cash held (NZD)	48	6
Receivables	508	476
Investments in equity securities held at fair value through profit or loss	111,412	95,008
Unsettled purchases of investments	-	(164)

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN MID CAP FUND



Independent Auditor's Report

To the unitholders of Australian Mid Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Mid Cap Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,139,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN MID CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 97.8% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN MID CAP FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	749	36.99%	273,779	1.66%
1,001-5,000	863	42.62%	2,040,413	12.34%
5,001-10,000	248	12.25%	1,705,369	10.32%
10,001-50,000	155	7.65%	2,863,621	17.32%
50,001-100,000	4	0.20%	306,617	1.85%
Greater than 100,000	6	0.30%	9,342,475	56.51%
TOTAL	2,025	100.00%	16,532,274	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	7,965,278	48.18%
Anna Elisabeth Minnaar	655,843	3.97%
FNZ Custodians Limited	226,952	1.37%
Custodial Services Limited	164,163	0.99%
Philippa Jane Stubbins & Comac Trustee Limited	148,041	0.90%
Custodial Services Limited	90,920	0.55%
Custodial Services Limited	88,576	0.54%
Craigs Investment Partners Limited	74,419	0.45%
Citibank Nominees (Nz) Ltd	67,674	0.41%
Elwyn Dianne Mayall	52,702	0.32%
Catherine Mary Newman	46,870	0.28%
Gavin Ronald Walker & Susan Eleanor Walker & William Malcom Patterson	45,490	0.28%
Gavin Ronald Walker & Susan Eleanor Walker & William Malcolm Patterson	45,490	0.28%
Bnp Paribas Nominees NZ Limited	45,197	0.27%
Michael Geoffrey Byrne & Catherine Anne Byrne	43,476	0.26%
Ajd Family Nominees Limited	43,310	0.26%
North Star Trustees Limited	43,181	0.26%
Alastair John Kenworthy	42,875	0.26%
Christopher Graham Paice	41,816	0.25%
JBWERE (Nz) Nominees Limited	41,664	0.25%
	9,973,937	60.33%

US Mid Cap Fund (USM)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the US Mid Cap Fund

Report to Unitholders

HIGHLIGHTS

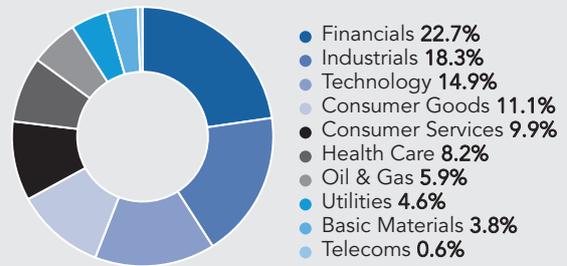
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$4.207	\$3.967
Units On Issue	13,329,500	7,184,500
Funds Under Management	\$56,073,608	\$28,503,339
Gross Distribution	-	-
Gross Distribution Yield	N/A	N/A
Gross Return	6.03%	13.50%
Total Fund Charges	0.51%	0.53%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

US MID CAP FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)

Guy R. Elliffe

A. John Williams

Paul J. Baldwin

Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US MID CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Mid Cap Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

US MID CAP FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		526	420
Net changes in fair value of financial assets at fair value through profit or loss		<u>1,715</u>	<u>3,496</u>
Total income		<u>2,241</u>	<u>3,916</u>
EXPENSES			
Management fees expense	5	(142)	(116)
Foreign exchange loss		<u>(124)</u>	<u>(5)</u>
Total expenses		<u>(266)</u>	<u>(121)</u>
Profit before tax		1,975	3,795
Income tax expense	1	<u>(401)</u>	<u>(328)</u>
Profit after tax		1,574	3,467
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,574</u>	<u>3,467</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>20.00</u>	<u>48.92</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		28,656	24,255
Total comprehensive income for the year		<u>1,574</u>	<u>3,467</u>
Subscriptions from unitholders	4	<u>26,688</u>	<u>934</u>
		<u>26,688</u>	<u>934</u>
Unitholders' funds at the end of the year		<u>56,918</u>	<u>28,656</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		193	68
Receivables		-	80
Investments in equity securities held at fair value through profit or loss		<u>57,770</u>	<u>28,621</u>
TOTAL ASSETS		<u>57,963</u>	<u>28,769</u>
LIABILITIES			
Management fees payable	5	(2)	(1)
Taxation payable		(192)	(86)
Funds held for unit purchases		(15)	(26)
Unsettled purchases of investments		<u>(836)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(1,045)</u>	<u>(113)</u>
UNITHOLDERS' FUNDS		<u>56,918</u>	<u>28,656</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>57,963</u>	<u>28,769</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	527	277
<i>Cash was applied to:</i>		
Management fees paid	(141)	(124)
Taxation paid	<u>(216)</u>	<u>(234)</u>
Net cash flows from operating activities	<u>170</u>	<u>(81)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	74	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(518)</u>	<u>(404)</u>
Net cash flows from investing activities	<u>(444)</u>	<u>(404)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	399	422
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>-</u>	<u>-</u>
Net cash flows from financing activities	<u>399</u>	<u>422</u>
Net increase/(decrease) in cash and cash equivalents	125	(63)
Cash and cash equivalents at the beginning of the year	<u>68</u>	<u>131</u>
Cash and cash equivalents at the end of the year	<u>193</u>	<u>68</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,574	3,467
Net changes in fair value of financial assets at fair value through profit or loss	(1,715)	(3,496)
Foreign exchange loss	124	5
Increase in taxation payable	106	31
Increase/(decrease) in management fees payable	1	(8)
Decrease/(increase) in receivables	<u>80</u>	<u>(80)</u>
Net cash flows from operating activities	<u>170</u>	<u>(81)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The US Mid Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard Mid Cap ETF (the 'Underlying Fund'), which tracks the CRSP US Mid Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Mid Cap ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(401)</u>	<u>(328)</u>
Total tax expense	<u>(401)</u>	<u>(328)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>1,975</u>	<u>3,795</u>
Income tax using the statutory income tax rate 28%	(553)	(1,063)
Net changes in fair value of financial assets	479	979
Non taxable income	114	117
Tax on securities subject to FDR	<u>(441)</u>	<u>(361)</u>
	(401)	(328)
Income tax expense as per Statement of Comprehensive Income	<u>(401)</u>	<u>(328)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	661	338

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	1,574	3,467
Weighted average number of units ('000)	<u>7,870</u>	<u>7,087</u>
Basic and diluted earnings per unit (cents per unit)	<u>20.00</u>	<u>48.92</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 13,330,000 units on issue (31 March 2017: 7,185,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 6,145,000 (31 March 2017: 256,000) for total value of \$26,688,000 (31 March 2017: \$934,000).

The number of units redeemed during the year ended 31 March 2018 was nil (31 March 2017: nil) for total value of \$nil (31 March 2017: \$nil).

	2018	2017
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	7,185	6,929
Subscriptions received during the year	<u>6,145</u>	<u>256</u>
Units on issue at the end of the year	<u>13,330</u>	<u>7,185</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$4.26992 (31 March 2017: \$3.98831). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

5. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 12,860,393 units (31 March 2017: 6,827,896) valued at \$54,100,000 (31 March 2017: \$27,089,000) in the Fund.

Distributions

The Fund paid distributions of \$nil to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$142,000 (31 March 2017: \$116,000), with \$2,000 (31 March 2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$1,000 (31 March 2017: \$2,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$1,000 (31 March 2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	193	68
Receivables	-	80
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	57,770	28,621
<u>Other financial liabilities</u>		
Management fees payable	(2)	(1)
Funds held for unit purchases	(15)	(26)
Unsettled purchases of investments	(836)	-

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

6a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$5,777,000 (31 March 2017: \$2,862,000).

6b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	193	68
Receivables	-	80

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017
	Balance	Credit	Balance
	\$'000	rating	\$'000
ANZ	15	AA-	26
BNP Paribas	-	A	-
Westpac	<u>178</u>	AA-	<u>42</u>
	<u>193</u>		<u>68</u>

6c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Mid Cap ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

6d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$5,693,000 (31 March 2017: \$2,870,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Receivables	-	80
Investments in equity securities held at fair value through profit or loss	57,770	28,621
Unsettled purchases of investments	(836)	-

7. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

8. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US MID CAP FUND



Independent Auditor's Report

To the unitholders of US Mid Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Mid Cap Fund (the fund) on pages 3 to 13:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$580,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US MID CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 99.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

US MID CAP FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	86	45.26%	36,487	0.27%
1,001-5,000	74	38.95%	172,155	1.27%
5,001-10,000	16	8.42%	118,019	0.87%
10,001-50,000	12	6.32%	257,301	1.89%
50,001-100,000	1	0.53%	87,710	0.65%
Greater than 100,000	1	0.53%	12,923,093	95.06%
TOTAL	190	100.00%	13,594,765	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	12,923,093	95.06%
Nigel Russell Fannin & Rosemary Anne O'Brien & Kevin Wayne Harborne	87,710	0.65%
Graham Edward Taylor & Heather Doreen Taylor & David Snedden	50,000	0.37%
Twominds Limited	32,900	0.24%
FNZ Custodians Limited	31,296	0.23%
Benjamin David Bonoma & Sarah Victoria Bonoma	28,000	0.21%
Paul Davidson Veitch & Timothy Robert Coleman & Duncan Dovico Trustees Limited	23,169	0.17%
William Hugh Walmsley	16,379	0.12%
Billy Cheung Services Limited	15,725	0.12%
Paul Anthony Wallace	14,161	0.10%
4 Eyes Limited	13,000	0.10%
Jennifer Elizabeth Barraclough	11,500	0.08%
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	10,615	0.08%
Jocelyn Jane Torrie	10,556	0.08%
Graham John Skipper & Anne Skipper & Gregory Mark Lay	10,000	0.07%
Roger Alan Johnston & Jeanette Johnston & Gellert Ivanson Trustee No 3 Limited	10,000	0.07%
James Punnett	9,479	0.07%
Paul Paget Mayhew	9,300	0.07%
Peter Hazael & Carol Hazael & Pkf Martin Jarvie Trustees Ltd	9,033	0.07%
Russell Donn De Silva	8,471	0.06%
	13,324,387	98.02%

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2018. The total number of units on issue at 31 March 2018 was 13,329,500.

US Small Cap Fund (USS)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the US Small Cap Fund

Report to Unitholders

HIGHLIGHTS

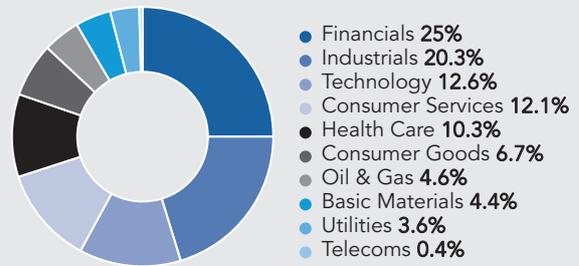
Launch Date 29-Jul-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$4.018	\$3.794
Units On Issue	12,028,500	7,407,500
Funds Under Management	\$48,334,723	\$28,103,888
Gross Distribution	-	-
Gross Distribution Yield	N/A	N/A
Gross Return	5.91%	17.91%
Total Fund Charges	0.51%	0.53%
Distributions paid	Semi-annual	

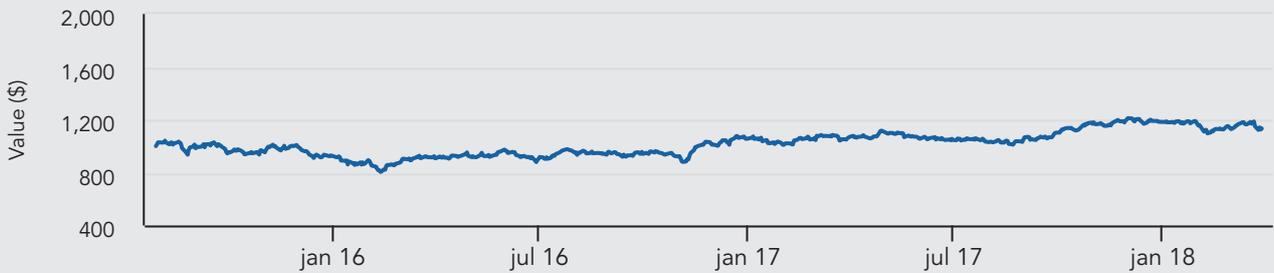
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

US SMALL CAP FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US SMALL CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Small Cap Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

US SMALL CAP FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		486	426
Net changes in fair value of financial assets at fair value through profit or loss		<u>1,732</u>	<u>4,399</u>
Total income		<u>2,218</u>	<u>4,825</u>
EXPENSES			
Management fees expense	5	(137)	(114)
Foreign exchange loss		<u>(87)</u>	<u>(5)</u>
Total expenses		<u>(224)</u>	<u>(119)</u>
Profit before tax		1,994	4,706
Income tax expense	1	<u>(388)</u>	<u>(322)</u>
Profit after tax		1,606	4,384
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,606</u>	<u>4,384</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u><u>20.21</u></u>	<u><u>59.90</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

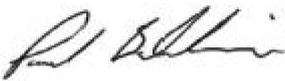
	Note	2018	2017
		\$'000	\$'000
Unitholders' funds at the beginning of the year		28,317	23,412
Total comprehensive income for the year		<u>1,606</u>	<u>4,384</u>
Subscriptions from unitholders	4	19,068	587
Redemptions by unitholders	4	<u>-</u>	<u>(66)</u>
		<u>19,068</u>	<u>521</u>
Unitholders' funds at the end of the year		<u><u>48,991</u></u>	<u><u>28,317</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		206	189
Investments in equity securities held at fair value through profit or loss		<u>49,626</u>	<u>28,246</u>
TOTAL ASSETS		<u>49,832</u>	<u>28,435</u>
LIABILITIES			
Management fees payable	5	(2)	(1)
Taxation payable		(201)	(87)
Funds held for unit purchases		(22)	(30)
Unsettled purchases of investments		<u>(616)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(841)</u>	<u>(118)</u>
UNITHOLDERS' FUNDS		<u>48,991</u>	<u>28,317</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>49,832</u>	<u>28,435</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	413	362
<i>Cash was applied to:</i>		
Management fees paid	(136)	(122)
Taxation paid	<u>(201)</u>	<u>(223)</u>
Net cash flows from operating activities	<u>76</u>	<u>17</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(589)</u>	<u>(244)</u>
Net cash flows from investing activities	<u>(589)</u>	<u>(244)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	530	267
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>-</u>	<u>-</u>
Net cash flows from financing activities	<u>530</u>	<u>267</u>
Net increase in cash and cash equivalents	17	40
Cash and cash equivalents at the beginning of the year	<u>189</u>	<u>149</u>
Cash and cash equivalents at the end of the year	<u>206</u>	<u>189</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,606	4,384
Net changes in fair value of financial assets at fair value through profit or loss	(1,732)	(4,399)
Foreign exchange loss	87	5
Increase in taxation payable	114	35
Increase/(decrease) in management fees payable	<u>1</u>	<u>(8)</u>
Net cash flows from operating activities	<u>76</u>	<u>17</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The US Small Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the Vanguard Small Cap ETF (the 'Underlying Fund'), which tracks the CRSP US Small Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') after the deduction of management fees. FDR income is based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Small Cap ETF. The Fund receives all of its dividend income from this investment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distribution and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(388)</u>	<u>(322)</u>
Total tax expense	<u>(388)</u>	<u>(322)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	2018	2017
	\$'000	\$'000
Profit before tax	<u>1,994</u>	<u>4,706</u>
Income tax using the statutory income tax rate 28%	(558)	(1,318)
Net changes in fair value of financial assets	484	1,232
Non taxable income	113	118
Tax on securities subject to FDR	<u>(427)</u>	<u>(354)</u>
	(388)	(322)
Income tax expense as per Statement of Comprehensive Income	<u>(388)</u>	<u>(322)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	652	337

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (31 March 2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	1,606	4,384
Weighted average number of units ('000)	<u>7,945</u>	<u>7,319</u>
Basic and diluted earnings per unit (cents per unit)	<u>20.21</u>	<u>59.90</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 12,028,000 units on issue (31 March 2017: 7,407,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 4,621,000 (31 March 2017: 165,000) for total value of \$19,068,000 (31 March 2017: \$587,000).

The number of units redeemed during the year ended 31 March 2018 was nil (31 March 2017: 20,000) for total value of \$nil (31 March 2017: \$66,000).

	2018	2017
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	7,407	7,262
Subscriptions received during the year	4,621	165
Redemptions made during the year	-	(20)
Units on issue at the end of the year	12,028	7,407

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$4.07308 (31 March 2017: \$3.82301). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

5. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 11,691,612 units (31 March 2017: 7,190,026) valued at \$46,981,000 (31 March 2017: \$27,279,000) in the Fund.

Distributions

The Fund paid distributions of \$nil to SLI for the year ended 31 March 2018 (31 March 2017: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$137,000 (31 March 2017: \$114,000), with \$2,000 (31 March 2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$2,000 (31 March 2017: \$2,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$2,000 (31 March 2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (31 March 2017: \$5,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	206	189
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	49,626	28,246
<u>Other financial liabilities</u>		
Management fees payable	(2)	(1)
Funds held for unit purchases	(22)	(30)
Unsettled purchases of investments	(616)	-

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

6a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$4,963,000 (31 March 2017: \$2,825,000).

6b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	206	189

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	Balance	2018	Balance	2017
	\$'000	Credit	\$'000	Credit
		rating		rating
ANZ	22	AA-	30	AA-
BNP Paribas	-	A	-	A
Westpac	<u>184</u>	AA-	<u>159</u>	AA-
	<u>206</u>		<u>189</u>	

6c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Small Cap ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

6d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$4,901,000 (31 March 2017: \$2,825,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	49,626	28,246
Unsettled purchases of investments	(616)	-

7. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (31 March 2017: none).

8. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US SMALL CAP FUND



Independent Auditor's Report

To the unitholders of US Small Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Small Cap Fund (the fund) on pages 3 to 13:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$498,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US SMALL CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 99.6% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those control
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

US SMALL CAP FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	118	51.53%	51,334	0.42%
1,001-5,000	84	36.68%	178,154	1.45%
5,001-10,000	18	7.86%	112,367	0.92%
10,001-50,000	8	3.49%	154,733	1.26%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	0.44%	11,751,912	95.95%
TOTAL	229	100.00%	12,248,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	11,751,912	95.95%
Benjamin David Bonoma & Sarah Victoria Bonoma	30,000	0.24%
Rosalie Barnes	30,000	0.24%
FNZ Custodians Limited	28,197	0.23%
Billy Cheung Services Limited	16,655	0.14%
Investment Custodial Services Limited	14,195	0.12%
4 Eyes Limited	14,000	0.11%
Craigs Investment Partners Limited	11,647	0.10%
James Punnett	10,039	0.08%
Philip Arthur Wrigley	8,185	0.07%
Scott William Priestley & John William Priestley & Bassett Trustees 5 Limited	7,993	0.07%
Begg & Allen Properties Limited	7,514	0.06%
Izak Andries Delpont Van Blerk & Petronella Erendina Van Blerk	7,392	0.06%
Geoffrey Ernest Tyler	7,266	0.06%
Anthony Charles Williams	6,636	0.05%
Robert Andrew Fry & Andrea Shelley Moses	6,055	0.05%
Timothy Richard Hitchings & Bridget Frances Williams & Raoul Edwin Neave	6,000	0.05%
Alison Clare Kuiper & Koenraad Kuiper	5,980	0.05%
Warren Noel Preston & Deborah Loive Preston & Karenza Marie Paine	5,900	0.05%
Timothy Orlando Reep & Kim Angela Orlando Reep	5,730	0.05%
	11,981,296	97.83%

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2018. The total number of units on issue at 31 March 2018 was 12,028,500.

NZ Property Fund (NPF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the NZ Property Fund

Report to Unitholders

HIGHLIGHTS

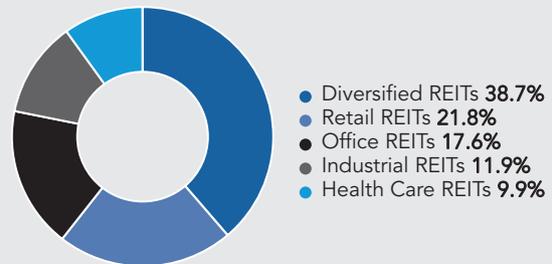
Launch Date 12-Nov-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.078	\$1.055
Units On Issue	38,761,748	46,480,787
Funds Under Management	\$41,766,559	\$49,025,308
Gross Distribution	\$0.057	\$0.037
Gross Distribution Yield	5.30%	3.52%
Gross Return	7.68%	-1.28%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

NZ PROPERTY FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ PROPERTY FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Property Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ PROPERTY FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		2,490	2,249
Net changes in fair value of financial assets at fair value through profit or loss		<u>1,281</u>	<u>(3,013)</u>
Total income		<u>3,771</u>	<u>(764)</u>
EXPENSES			
Management fees expense	6	<u>(280)</u>	<u>(258)</u>
Total expenses		<u>(280)</u>	<u>(258)</u>
Profit/(loss) before tax		3,491	(1,022)
Income tax (expense)/credit	1	<u>(98)</u>	<u>72</u>
Profit/(loss) after tax		3,393	(950)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>3,393</u>	<u>(950)</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u><u>7.04</u></u>	<u><u>(2.17)</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

		2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		49,025	44,588
Total comprehensive income/(loss) for the year		<u>3,393</u>	<u>(950)</u>
Subscriptions from unitholders	5	9,607	6,687
Redemptions by unitholders	5	(17,949)	-
Distributions to unitholders	4	<u>(2,310)</u>	<u>(1,300)</u>
		<u>(10,652)</u>	<u>5,387</u>
Unitholders' funds at the end of the year		<u><u>41,766</u></u>	<u><u>49,025</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,068	1,275
Investments in equity securities held at fair value through profit or loss		40,821	47,789
Deferred tax asset		<u>-</u>	<u>97</u>
TOTAL ASSETS		<u>41,889</u>	<u>49,161</u>
LIABILITIES			
Management fees payable	6	(2)	(2)
Funds held for unit purchases		<u>(121)</u>	<u>(134)</u>
TOTAL LIABILITIES		<u>(123)</u>	<u>(136)</u>
UNITHOLDERS' FUNDS		<u>41,766</u>	<u>49,025</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>41,889</u>	<u>49,161</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2,490	2,248
<i>Cash was applied to:</i>		
Management fees paid	(280)	(276)
Taxation paid	<u>(1)</u>	<u>-</u>
Net cash flows from operating activities	<u>2,209</u>	<u>1,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	2,024	3,450
<i>Cash was applied to:</i>		
Purchase of investments	<u>(3,201)</u>	<u>(4,418)</u>
Net cash flows from investing activities	<u>(1,177)</u>	<u>(968)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,306	1,161
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(235)	-
Distributions paid to unitholders	<u>(2,310)</u>	<u>(1,884)</u>
Net cash flows from financing activities	<u>(1,239)</u>	<u>(723)</u>
Net (decrease)/increase in cash and cash equivalents	(207)	281
Cash and cash equivalents at the beginning of the year	<u>1,275</u>	<u>994</u>
Cash and cash equivalents at the end of year	<u>1,068</u>	<u>1,275</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit/(loss) after tax	3,393	(950)
Net changes in fair value of financial assets at fair value through profit or loss	(1,281)	3,013
Decrease in deferred tax asset	97	-
Increase in deferred tax liability	-	(73)
Decrease in management fees payable	<u>-</u>	<u>(18)</u>
Net cash flows from operating activities	<u>2,209</u>	<u>1,972</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Property Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operation on 12 November 2015.

The Fund's units are quoted on the NZX Main Board. The fund is a passive investment fund that tracks the S&P/NZX Real Estate Select ('the Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the distributions are on the last business day of May and November in each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from investments in securities after the deduction of management fees. The Fund is able to utilise imputation credits when they arise. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. Tax losses that have arisen in prior years and the current reporting period have not been recognised as an asset in the Statement of Financial Position as it is unlikely that the tax losses will be able to be utilised in future reporting periods.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all of its income from its New Zealand equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax credit/(expense) comprises:		
Current tax expense	(1)	(1)
Prior period adjustment	(97)	-
Deferred tax movement	-	73
Total tax (expense)/credit	(98)	72

The prima facie income tax expense on profit/(loss) before tax reconciles to the income tax expense in the financial statements as follows:

	2018	2017
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	3,491	(1,022)
Income tax using the statutory income tax rate 28%	(977)	286
Net changes in fair value of financial assets	359	(844)
Non taxable income	394	255
Gross up of imputation credits	(117)	(146)
	(341)	(449)
Less imputation credits and other tax credits	417	521
Current year loss not recognised	(77)	-
Prior period adjustment	(97)	-
Income tax expense as per Statement of Comprehensive Income	(98)	72

	2018	2017
	\$'000	\$'000
Deferred tax		
Opening balance	97	24
Current period movement	-	73
Prior period adjustment	(97)	-
Closing balance	-	97

	2018	2017
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	197	283

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit/(loss) after tax (\$'000)	3,393	(950)
Weighted average number of units ('000)	<u>48,226</u>	<u>43,783</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>7.04</u></u>	<u><u>(2.17)</u></u>

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	1.11	-	469
September 2016 (paid October 2016)	31/03/2017	1.15	-	495
November 2016 (paid December 2016)	31/03/2017	0.76	-	336
May 2017 (paid June 2017)	31/03/2018	2.36	1,105	-
November 2017 (paid December 2017)	31/03/2018	2.31	<u>1,205</u>	<u>-</u>
			<u>2,310</u>	<u>1,300</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 38,762,000 units on issue (2017: 46,481,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 8,875,000 (2017: 6,125,000) for total value of \$9,607,000 (2017: \$6,687,000).

The number of units redeemed during the year ended 31 March 2018 was 16,594,000 (2017: nil) for total value of \$17,949,000 (2017: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS (Continued)

	2018	2017
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	46,481	40,356
Subscriptions received during the year	8,875	6,125
Redemptions made during the year	<u>(16,594)</u>	<u>-</u>
Units on issue at the end of the year	<u>38,762</u>	<u>46,481</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.07750 (2017: \$1.05473). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 28,263,506 units (2017: 41,238,787) valued at \$30,454,000 (2017: \$43,496,000) in the Fund.

Distributions

The Fund paid distributions of \$1,993,000 to SLI for the year ended 31 March 2018 (2017: \$312,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$280,000 (2017: \$258,000) with \$2,000 (2017: \$2,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$13,000 (2017: \$10,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$2,000 (2017: \$3,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	2018	2017
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,068	1,275
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	40,821	47,789
<i><u>Other financial liabilities</u></i>		
Management fees payable	(2)	(2)
Funds held for unit purchases	(121)	(134)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$4,082,000 (2017: \$4,779,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	1,068	1,275

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	2018		2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	121	AA-	134	AA-
Westpac	947	AA-	1,141	AA-
	<u>1,068</u>		<u>1,275</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ PROPERTY FUND



Independent Auditor's Report

To the unitholders of NZ Property Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Property Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$419,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ PROPERTY FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 97.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ PROPERTY FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	86	22.28%	48,597	0.12%
1,001-5,000	148	38.34%	401,580	1.03%
5,001-10,000	63	16.32%	466,491	1.19%
10,001-50,000	69	17.88%	1,401,495	3.58%
50,001-100,000	11	2.85%	747,911	1.91%
Greater than 100,000	9	2.33%	36,070,674	92.17%
TOTAL	386	100.00%	39,136,748	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	28,099,090	71.80%
Investment Custodial Services Limited	4,002,304	10.23%
Investment Custodial Services Limited	1,124,275	2.87%
Investment Custodial Services Limited	832,746	2.13%
FNZ Custodians Limited	770,290	1.97%
Sharesies Nominee Limited	738,953	1.89%
Gary Anthony Vink & Jane Margaret Vink	248,904	0.64%
Alan James Phillips & Helen Marie Phillips	152,802	0.39%
Stephen Allan Mcgregor & Jane Costigan	101,310	0.26%
Lewis John Randal & John Gerard Phibbs	100,000	0.26%
Forsyth Barr Custodians Limited	96,942	0.25%
Gert Franz Johannes Starker & Elma Starker	83,704	0.21%
Anthony Smith & Barbara Smith	75,446	0.19%
Benjamin David Bonoma & Sarah Victoria Bonoma	63,288	0.16%
Brian Manson Barraclough	61,247	0.16%
Investment Custodial Services Limited	56,663	0.14%
Julie Anne Bodger	55,658	0.14%
Graham John Cockroft	52,289	0.13%
Gavin Matthew Irving & George Harold Irving	51,337	0.13%
George Harold Irving & Gavin Mathew Irving	51,337	0.13%
	36,818,585	94.08%

Australian Property Fund (ASP)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Australian Property Fund

Report to Unitholders

HIGHLIGHTS

Launch Date 16-Dec-14

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.307	\$1.372
Units On Issue	25,172,531	33,548,089
Funds Under Management	\$32,890,681	\$46,030,489
Gross Distribution	\$0.057	\$0.024
Gross Distribution Yield	4.35%	1.74%
Gross Return	-0.85%	3.62%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

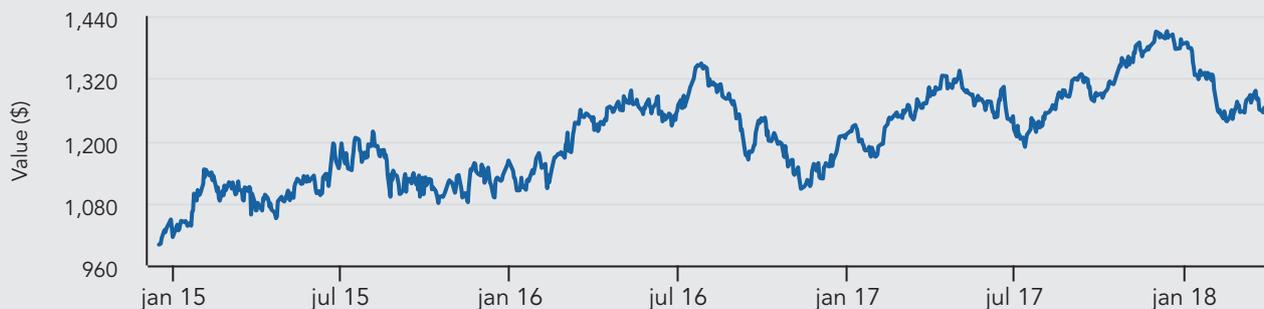
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

AUSTRALIAN PROPERTY FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN PROPERTY FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Property Fund (the 'Fund') was created by an establishment deed dated 1 December 2014 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

AUSTRALIAN PROPERTY FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		2,632	2,239
Net changes in fair value of financial assets at fair value through profit or loss		(2,345)	5
Foreign exchange gain		13	19
Total income		300	2,263
EXPENSES			
Management fees expense	6	(259)	(236)
Miscellaneous expenses		(2)	(7)
Total expenses		(261)	(243)
Profit before tax		39	2,020
Income tax expense	1	(593)	(547)
(Loss)/profit after tax		(554)	1,473
Other comprehensive income		-	-
Total comprehensive (loss)/income		(554)	1,473
EARNINGS PER UNIT			
Basic and diluted (losses)/earnings per unit (cents per unit)	3	(1.58)	4.46

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

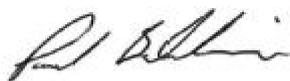
		2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		46,015	42,793
Total comprehensive (loss)/income for the year		<u>(554)</u>	<u>1,473</u>
Subscriptions from unitholders	5	6,180	2,368
Redemptions by unitholders	5	(17,083)	-
Distributions to unitholders	4	<u>(1,625)</u>	<u>(619)</u>
		<u>(12,528)</u>	<u>1,749</u>
Unitholders' funds at the end of the year		<u><u>32,933</u></u>	<u><u>46,015</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		903	566
Receivables		80	82
Taxation receivable		-	281
Investments in equity securities held at fair value through profit or loss		32,107	45,108
TOTAL ASSETS		33,090	46,037
LIABILITIES			
Management fees payable	6	(1)	(2)
Taxation payable		(26)	-
Funds held for unit purchases		(36)	(20)
Other current liabilities		(94)	-
TOTAL LIABILITIES		(157)	(22)
UNITHOLDERS' FUNDS		32,933	46,015
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		33,090	46,037

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2,349	1,948
Tax refund received	93	-
<i>Cash was applied to:</i>		
Management fees paid	(260)	(254)
Taxation paid	-	(582)
Miscellaneous expenses paid	(2)	(7)
Net cash flows from operating activities	<u>2,180</u>	<u>1,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	5,114	7,612
<i>Cash was applied to:</i>		
Purchase of investments	(5,448)	(7,864)
Net cash flows from investing activities	<u>(334)</u>	<u>(252)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	484	292
<i>Cash was applied to:</i>		
Redemptions by unitholders	(403)	-
Distributions paid to unitholders	(1,625)	(1,434)
Net cash flows from financing activities	<u>(1,544)</u>	<u>(1,142)</u>
Net increase/(decrease) in cash and cash equivalents	302	(289)
Cash and cash equivalents at the beginning of the year	566	855
Effect of exchange rate fluctuations on cash and cash equivalents	35	-
Cash and cash equivalents at the end of the year	<u>903</u>	<u>566</u>
Reconciliation of (loss)/profit after tax to net cash flows from operating activities		
(Loss)/profit after tax	(554)	1,473
Net changes in fair value of financial assets at fair value through profit or loss	2,345	(5)
Foreign exchange gain	(13)	(19)
Increase/(decrease) in taxation payable	26	(14)
Decrease/(increase) in taxation receivable	281	(281)
Decrease in management fees payable	(1)	(18)
Decrease/(increase) in receivables	2	(31)
Increase in payable to Manager	94	-
Net cash flows from operating activities	<u>2,180</u>	<u>1,105</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Australian Property Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 1 December 2014 and commenced operation on 16 December 2014.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX 200 A-REIT Equal Weight Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from its investments in securities after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise foreign withholding tax credits when they arise. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(593)	(545)
Prior period adjustment	<u>-</u>	<u>(2)</u>
Total tax expense	<u>(593)</u>	<u>(547)</u>

The prima facie income tax expense on loss before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2018	2017
	\$'000	\$'000
Profit before tax	<u>39</u>	<u>2,020</u>
Income tax using the statutory income tax rate 28%	(11)	(566)
Net changes in fair value of financial assets	(657)	1
Non taxable income	732	626
Tax on securities subject to FDR	<u>(657)</u>	<u>(606)</u>
	(593)	(545)
Prior period adjustment	<u>-</u>	<u>(2)</u>
Income tax expense as per Statement of Comprehensive Income	<u>(593)</u>	<u>(547)</u>

Imputation credit account (ICA)	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	26	406

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none).

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
(Loss)/profit after tax (\$'000)	(554)	1,473
Weighted average number of units ('000)	<u>35,152</u>	<u>33,059</u>
Basic and diluted (losses)/earnings per unit (cents per unit)	<u>(1.58)</u>	<u>4.46</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
September 2016 (paid October 2016)	31/03/2017	1.86	-	619
May 2017 (paid June 2017)	31/03/2018	1.52	506	-
Nov 2017 (paid Dec 2017)	31/03/2018	3.01	1,119	-
			<u>1,625</u>	<u>619</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 25,173,000 units on issue (2017: 33,548,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 4,750,000 (2017: 1,750,000) for total value of \$6,180,000 (2017: \$2,368,000).

The number of units redeemed during the year ended 31 March 2018 was 13,125,000 (2017: nil) for total value of \$17,083,000 (2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	33,548	31,798
Subscriptions received during the year	4,750	1,750
Redemptions made during the year	<u>(13,125)</u>	<u>-</u>
Units on issue at the end of the year	<u>25,173</u>	<u>33,548</u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.30827 (2017: \$1.37162). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 23,310,995 (2017: 31,595,544) units valued at \$30,458,000 (2017: \$43,351,000) in the Fund.

Distributions

The Fund paid distribution of \$1,546,000 to SLI for the year ended 31 March 2018 (2017: \$nil). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$259,000 (2017: \$236,000), with \$1,000 (2017: \$2,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$8,000 (2017: \$3,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$1,000 (2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

As at 31 March 2018 the Fund had a payable to the Manager of \$94,000 (2017: \$nil) for tax payment made by the Manager on behalf of the Fund.

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u><i>Loans and receivables</i></u>		
Cash and cash equivalents	903	566
Receivables	80	82
<u><i>Financial assets at fair value through profit and loss</i></u>		
Investments in equity securities held at fair value through profit or loss	32,107	45,108
<u><i>Other financial liabilities</i></u>		
Management fees payable	(1)	(2)
Funds held for unit purchases	(36)	(20)
Other current liabilities	(94)	-

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$3,211,000 (2017: \$4,511,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	903	566
Receivables	80	82

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	36	AA-	20	AA-
BNP Paribas	14	A	2	A
Westpac	853	AA-	544	AA-
	<u>903</u>		<u>566</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$3,220,000 (2017: \$4,520,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Australian dollar cash held (NZD)	14	2
Receivables	80	82
Investments in equity securities held at fair value through profit or loss	32,107	45,108

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

9. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2018 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN PROPERTY FUND



Independent Auditor's Report

To the unitholders of Australian Property Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Property Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards..

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statements of comprehensive income, statement of changes in unitholders' funds and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matter have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$331,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN PROPERTY FUND



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the unitholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 97.0% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other information

The Manager, on behalf of the fund, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this independent auditor's report

This independent auditor's report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN PROPERTY FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG

Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	50	19.76%	28,989	0.12%
1,001-5,000	100	39.53%	238,474	0.95%
5,001-10,000	49	19.37%	361,353	1.44%
10,001-50,000	49	19.37%	950,641	3.78%
50,001-100,000	3	1.19%	179,514	0.71%
Greater than 100,000	2	0.79%	23,413,560	93.01%
TOTAL	253	100.00%	25,172,531	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	23,310,995	92.60%
Tania Natasha Tikus Murray & Neil Lawrence Murray & Brown Street Trustees Ltd	102,565	0.41%
Neil Lawrence Murray & Tania Natasha Tikus Murray & Graeme William Elvin	69,499	0.28%
James Llewelyn Lloyd	56,000	0.22%
FNZ Custodians Limited	54,015	0.21%
Raymon Williams	49,984	0.20%
Benjamin David Bonoma & Sarah Victoria Bonoma	46,949	0.19%
Billy Cheung Services Limited	45,756	0.18%
Stephen John Kennedy & Maureen O'Callaghan	36,647	0.15%
Craig Plim & Fiona Margaret Plim	33,299	0.13%
John Francis Paige Hudson & Laura Margaret Victoria Hudson	30,000	0.12%
Nyala Limited	30,000	0.12%
Raymond Grant Krissansen & Ann Krissansen	25,803	0.10%
Michael Frederick Keith	24,734	0.10%
Cynthia Loretta Stacey	23,538	0.09%
Raymond Arthur Hancox & Janice Gay Hancox & Clive Basil Cleland	23,377	0.09%
John Lindsay Holland & Annabel Mary Holland	23,297	0.09%
Franick Holdings Limited	21,717	0.09%
Marjo Riitta Ramaekers	20,800	0.08%
Brendan Phillip Queree & Leonie Margaret Queree	20,103	0.08%
	24,049,078	95.53%

Australian Resources Fund(ASR)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Australian Resources Fund

Report to Unitholders

HIGHLIGHTS

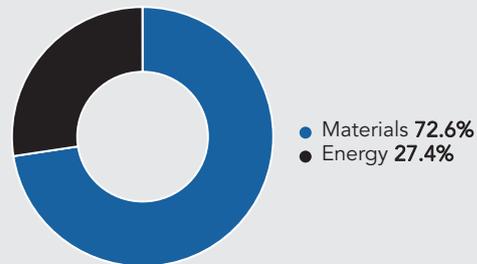
Launch Date 7-Apr-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$4.147	\$3.742
Units On Issue	7,432,633	6,391,647
Funds Under Management	\$30,825,062	\$23,915,338
Gross Distribution	\$0.103	\$0.040
Gross Distribution Yield	2.48%	1.08%
Gross Return	13.87%	36.55%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

AUSTRALIAN RESOURCES FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN RESOURCES FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Resources Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

AUSTRALIAN RESOURCES FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		1,014	568
Net changes in fair value of financial assets at fair value through profit or loss		2,450	5,953
Foreign exchange gain		-	1
Total income		<u>3,464</u>	<u>6,522</u>
EXPENSES			
Management fees expense	6	(145)	(112)
Foreign exchange loss		(19)	-
Miscellaneous expenses		(1)	(1)
Total expenses		<u>(165)</u>	<u>(113)</u>
Profit before tax		3,299	6,409
Income tax expense	1	(251)	(136)
Profit after tax		3,048	6,273
Other comprehensive income		-	-
Total comprehensive income		<u>3,048</u>	<u>6,273</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>45.30</u>	<u>100.00</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

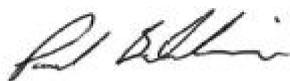
		2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		23,907	17,277
Total comprehensive income for the year		<u>3,048</u>	<u>6,273</u>
Subscriptions from unitholders	5	4,397	538
Distributions to unitholders	4	<u>(487)</u>	<u>(181)</u>
		<u>3,910</u>	<u>357</u>
Unitholders' funds at the end of the year		<u><u>30,865</u></u>	<u><u>23,907</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		570	315
Receivables		202	132
Taxation receivable		-	38
Investments in equity securities held at fair value through profit or loss		<u>30,322</u>	<u>23,503</u>
TOTAL ASSETS		<u>31,094</u>	<u>23,988</u>
LIABILITIES			
Management fees payable	6	(1)	(1)
Taxation payable		(138)	-
Deferred tax liability	1	(57)	(37)
Funds held for unit purchases		<u>(33)</u>	<u>(43)</u>
TOTAL LIABILITIES		<u>(229)</u>	<u>(81)</u>
UNITHOLDERS' FUNDS		<u>30,865</u>	<u>23,907</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>31,094</u>	<u>23,988</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	941	571
<i>Cash was applied to:</i>		
Management fees paid	(145)	(119)
Taxation paid	(52)	(272)
Miscellaneous expenses paid	(1)	(1)
Net cash flows from operating activities	<u>743</u>	<u>179</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	2,016	869
<i>Cash was applied to:</i>		
Purchase of investments	(2,569)	(1,094)
Net cash flows from investing activities	<u>(553)</u>	<u>(225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	554	289
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(487)	(291)
Net cash flows from financing activities	<u>67</u>	<u>(2)</u>
Net increase/(decrease) in cash and cash equivalents	257	(48)
Cash and cash equivalents at the beginning of the year	315	363
Effect of exchange rate fluctuations on cash and cash equivalents	(2)	-
Cash and cash equivalents at the end of the year	<u>570</u>	<u>315</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	3,048	6,273
Net changes in fair value of financial assets at fair value through profit or loss	(2,450)	(5,953)
Foreign exchange loss/(gain)	19	(1)
Increase/(decrease) in taxation payable	138	(136)
Increase in deferred tax liability	20	37
Decrease/(increase) in taxation receivable	38	(38)
Decrease in management fees payable	-	(7)
(Increase)/decrease in receivables	(70)	4
Net cash flows from operating activities	<u>743</u>	<u>179</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Australian Resources Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 19 March 2015 and commenced operation on 7 April 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX 200 Resources Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from its investments in securities after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise imputation credits and foreign withholding tax credits when they arise. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(231)	(139)
Prior period adjustment	-	2
Deferred tax movement	<u>(20)</u>	<u>1</u>
Total tax expense	<u>(251)</u>	<u>(136)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2018	2017
	\$'000	\$'000
Profit before tax	<u>3,299</u>	<u>6,409</u>
Income tax using the statutory income tax rate 28%	(924)	(1,795)
Net changes in fair value of financial assets	684	1,666
Non taxable income	1	1
Tax on securities subject to FDR	<u>(12)</u>	<u>(10)</u>
	(251)	(138)
Prior period adjustment	<u>-</u>	<u>2</u>
Income tax expense as per Statement of Comprehensive Income	<u>(251)</u>	<u>(136)</u>

Deferred tax	2018	2017
	\$'000	\$'000
Opening balance	(37)	-
Current period movement	(20)	1
Prior period adjustment	<u>-</u>	<u>(38)</u>
Closing balance	<u>(57)</u>	<u>(37)</u>

Imputation credit account (ICA)	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	389	389

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	3,048	6,273
Weighted average number of units ('000)	6,728	6,273
Basic and diluted earnings per unit (cents per unit)	45.30	100.00

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
September 2016 (paid October 2016)	31/03/2017	1.01	-	63
November 2016 (paid December 2016)	31/03/2017	1.89	-	118
May 2017 (paid June 2017)	31/03/2018	4.73	306	-
November 2017 (paid December 2017)	31/03/2018	2.67	181	-
			487	181

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 7,433,000 units on issue (2017: 6,392,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 1,041,000 (2017: 150,000) for total value of \$4,397,000 (2017: \$538,000).

The number of units redeemed during the year ended 31 March 2018 was nil (2017: nil) for total value of \$nil (2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	6,392	6,242
Subscriptions received during the year	1,041	150
Units on issue at the end of the year	7,433	6,392

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$4.15243 (2017: \$3.74014). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 6,409,502 (2017: 6,021,077) units valued at \$26,582,000 (2017: \$22,529,000) in the Fund.

Distributions

The Fund paid distribution of \$446,000 to SLI for the year ended 31 March 2018 (2017: \$114,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$145,000 (2017: \$112,000), with \$1,000 (2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$3,000 (2017: \$3,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$2,000 (2017: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	570	315
Receivables	202	132
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	30,322	23,503
<u>Other financial liabilities</u>		
Management fees payable	(1)	(1)
Funds held for unit purchases	(33)	(43)

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$3,032,000 (2017: \$2,350,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	570	315
Receivables	202	132

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	33	AA-	43	AA-
BNP Paribas	14	A	23	A
Westpac	523	AA-	249	AA-
	570		315	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$3,054,000 (2017: \$2,366,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Australian dollar cash held (NZD)	14	23
Receivables	202	132
Investments in equity securities held at fair value through profit or loss	30,322	23,503

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

9. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2018 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.



Independent Auditor's Report

To the unitholders of Australian Resources Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Resources Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards..

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statements of comprehensive income, statement of changes in unitholders' funds and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matter have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$311,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN RESOURCES FUND



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the unitholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 97.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other information

The Manager, on behalf of the fund, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this independent auditor's report

This independent auditor's report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN RESOURCES FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG

Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	135	48.56%	48,372	0.66%
1,001-5,000	105	37.77%	254,536	3.50%
5,001-10,000	20	7.19%	133,200	1.83%
10,001-50,000	14	5.04%	232,690	3.20%
50,001-100,000	2	0.72%	114,020	1.57%
Greater than 100,000	2	0.72%	6,499,815	89.25%
TOTAL	278	100.00%	7,282,633	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	6,212,802	85.31%
Sharesies Nominee Limited	287,013	3.94%
JBWERE (Nz) Nominees Limited	57,567	0.79%
Jennifer Gaye Simpson	56,453	0.78%
FNZ Custodians Limited	34,260	0.47%
David John Craig	30,000	0.41%
Maria Joan Sandiford	20,105	0.28%
Kenneth John Simpson	16,835	0.23%
Benjamin David Bonoma & Sarah Victoria Bonoma	15,497	0.21%
FNZ Custodians Limited	15,422	0.21%
Claire Elizabeth Kathro	14,955	0.21%
Billy Cheung Services Limited	14,924	0.20%
Shaoming Yu	14,900	0.20%
Roger Alan Johnston & Jeanette Johnston & Gellert Ivanson Trustee No 3 Limited	12,727	0.17%
Craigs Investment Partners Limited	12,339	0.17%
David James Traiton Pearson	10,600	0.15%
Nelson Chao Tsung Liu & Judian Chen Chu Yu Liu	10,063	0.14%
Systems People Limited	10,063	0.14%
Peter Hazael & Carol Hazael & Pkf Martin Jarvie Trustees Ltd	9,493	0.13%
David Georges Andre Dromer	8,847	0.12%
	6,864,865	94.26%

Australian Financials Fund (ASF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Australian Financials Fund

Report to Unitholders HIGHLIGHTS

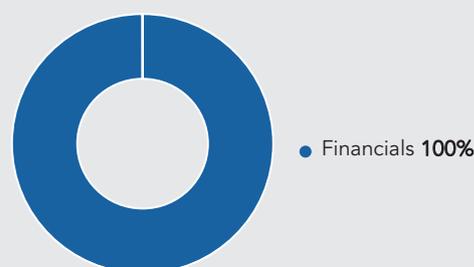
Launch Date 7-Apr-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$7.254	\$8.441
Units On Issue	4,190,468	2,787,352
Funds Under Management	\$30,396,775	\$23,528,829
Gross Distribution	\$0.391	\$0.400
Gross Distribution Yield	5.39%	4.74%
Gross Return	-9.70%	23.08%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

AUSTRALIAN FINANCIALS FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN FINANCIALS FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Financials Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

AUSTRALIAN FINANCIALS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		1,239	1,139
Net changes in fair value of financial assets at fair value through profit or loss		(3,799)	3,429
Foreign exchange gain		-	3
Total income		<u>(2,560)</u>	<u>4,571</u>
EXPENSES			
Management fees expense	6	(124)	(111)
Foreign exchange loss		(67)	-
Miscellaneous expenses		-	(1)
Total expenses		<u>(191)</u>	<u>(112)</u>
(Loss)/profit before tax		(2,751)	4,459
Income tax expense	1	<u>(271)</u>	<u>(256)</u>
(Loss)/profit after tax		(3,022)	4,203
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income		<u><u>(3,022)</u></u>	<u><u>4,203</u></u>
EARNINGS PER UNIT			
Basic and diluted (losses)/earnings per unit (cents per unit)	3	<u><u>(101.44)</u></u>	<u><u>151.02</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

		2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		23,522	19,951
Total comprehensive (loss)/income for the year		<u>(3,022)</u>	<u>4,203</u>
Subscriptions from unitholders	5	10,808	171
Distributions to unitholders	4	<u>(872)</u>	<u>(803)</u>
		<u>9,936</u>	<u>(632)</u>
Unitholders' funds at the end of the year		<u><u>30,436</u></u>	<u><u>23,522</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		358	184
Receivables		21	169
Investments in equity securities held at fair value through profit or loss		<u>30,212</u>	<u>23,314</u>
TOTAL ASSETS		<u>30,591</u>	<u>23,667</u>
LIABILITIES			
Management fees payable	6	(1)	(1)
Taxation payable		(138)	(52)
Deferred tax liability	1	(6)	(42)
Funds held for unit purchases		<u>(10)</u>	<u>(50)</u>
TOTAL LIABILITIES		<u>(155)</u>	<u>(145)</u>
UNITHOLDERS' FUNDS		<u>30,436</u>	<u>23,522</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>30,591</u>	<u>23,667</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,387	1,020
<i>Cash was applied to:</i>		
Management fees paid	(124)	(119)
Taxation paid	(221)	(291)
Miscellaneous expenses paid	-	(1)
Net cash flows from operating activities	<u>1,042</u>	<u>609</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	426	627
<i>Cash was applied to:</i>		
Purchase of investments	(898)	(744)
Net cash flows from investing activities	<u>(472)</u>	<u>(117)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	500	170
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(872)	(1,034)
Net cash flows from financing activities	<u>(372)</u>	<u>(864)</u>
Net increase/(decrease) in cash and cash equivalents	198	(372)
Cash and cash equivalents at the beginning of the year	184	556
Effect of exchange rate fluctuations on cash and cash equivalents	(24)	-
Cash and cash equivalents at the end of the year	<u>358</u>	<u>184</u>
Reconciliation of (loss)/profit after tax to net cash flows from operating activities		
(Loss)/profit after tax	(3,022)	4,203
Net changes in fair value of financial assets at fair value through profit or loss	3,799	(3,429)
Foreign exchange loss/(gain)	67	(3)
Increase/(decrease) in taxation payable	86	(78)
(Decrease)/increase in deferred tax liability	(36)	42
Decrease in management fees payable	-	(8)
Decrease/(increase) in receivables	148	(118)
Net cash flows from operating activities	<u>1,042</u>	<u>609</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Australian Financials Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 19 March 2015 and commenced operation on 7 April 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX 200 Financials Ex-A-REIT Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are the last business days of February and August each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from its investments in securities after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise imputation credits and foreign withholding tax credits when they arise. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(308)	(228)
Prior period adjustment	1	-
Deferred tax movement	<u>36</u>	<u>(28)</u>
Total tax expense	<u>(271)</u>	<u>(256)</u>

The prima facie income tax expense on (loss)/profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2018	2017
	\$'000	\$'000
(Loss)/profit before tax	<u>(2,751)</u>	<u>4,459</u>
Income tax using the statutory income tax rate 28%	770	(1,249)
Net changes in fair value of financial assets	(1,064)	961
Non taxable income	(12)	7
Tax on securities subject to FDR	(4)	(5)
Gross up of imputation credits	<u>(15)</u>	<u>(11)</u>
	(325)	(297)
Less imputation credits and other tax credits	53	41
Prior period adjustment	<u>1</u>	<u>-</u>
Income tax expense as per Statement of Comprehensive Income	<u>(271)</u>	<u>(256)</u>

Deferred tax

	2018	2017
	\$'000	\$'000
Opening balance	(42)	-
Current period movement	36	(28)
Prior period adjustment	<u>-</u>	<u>(14)</u>
Closing balance	<u>(6)</u>	<u>(42)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	166	83

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
(Loss)/profit after tax (\$'000)	(3,022)	4,203
Weighted average number of units ('000)	2,979	2,783
Basic and diluted (losses)/earnings per unit (cents per unit)	(101.44)	151.02

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	4.63	-	129
September 2016 (paid October 2016)	31/03/2017	8.97	-	250
February 2017 (paid March 2017)	31/03/2017	15.23	-	424
August 2017 (paid September 2017)	31/03/2018	15.04	431	-
February 2018 (paid March 2018)	31/03/2018	14.76	441	-
			872	803

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 4,190,000 units on issue (2017: 2,787,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 1,403,000 (2017: 25,000) for total value of \$10,808,000 (2017: \$171,000).

The number of units redeemed during the year ended 31 March 2018 was nil (2017: nil) for total value of \$nil (2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	2,787	2,762
Subscriptions received during the year	1,403	25
Units on issue at the end of the year	4,190	2,787

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$7.26396 (2017: \$8.43990). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 3,969,012 (2017: 2,703,896) units valued at \$28,790,000 (2017: \$22,824,000) in the Fund.

Distributions

The Fund paid distribution of \$819,000 to SLI for the year ended 31 March 2018 (2017: \$412,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$124,000 (2017: \$111,000), with \$1,000 (2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$5,000 (2017: \$6,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$1,000 (2017: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	358	184
Receivables	21	169
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	30,212	23,314
<u>Other financial liabilities</u>		
Management fees payable	(1)	(1)
Funds held for unit purchases	(10)	(50)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$3,021,000 (2017: \$2,331,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	358	184
Receivables	21	169

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	10	AA-	50	AA-
BNP Paribas	2	A	18	A
Westpac	346	AA-	116	AA-
	<u>358</u>		<u>184</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$3,023,000 (2017: \$2,350,000).

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Australian dollar cash held (NZD)	1	18
Receivables	21	169
Investments in equity securities held at fair value through profit or loss	30,212	23,314

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

9. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2018 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN FINANCIALS FUND



Independent Auditor's Report

To the unitholders of Australian Financials Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Financials Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$306,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN FINANCIALS FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund’s portfolio of investments makes up 98.8% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity’s Annual Report. Other information may include the Chairman’s report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor’s Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN FINANCIALS FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	78	57.78%	21,163	0.51%
1,001-5,000	41	30.37%	96,252	2.31%
5,001-10,000	13	9.63%	90,048	2.16%
10,001-50,000	2	1.48%	39,493	0.95%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	0.74%	3,918,512	94.07%
TOTAL	135	100.00%	4,165,468	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	3,918,512	94.07%
FNZ Custodians Limited	27,884	0.67%
Craigs Investment Partners Limited	11,609	0.28%
George Heatherwick Findlay	9,062	0.22%
Robert Lindsay Mellars	9,000	0.22%
David Georges Andre Dromer	8,681	0.21%
Dean Ashley Crow & Kim Ileene Crow & David Oliver Jones	7,787	0.19%
Gert Franz Johannes Starker & Elma Starker	7,355	0.18%
Billy Cheung Services Limited	6,673	0.16%
Albert James Renner	6,500	0.16%
John Alexander Jermyn & Edith Heather Jermyn	6,300	0.15%
Grant Mayson Scurr	6,093	0.15%
Hugh Duff Eaton & Jane Margaret Eaton	6,021	0.14%
Robert Ian Alistair Young	5,710	0.14%
Jenny Marie Cochrane & Aimee Lee Clarke & Finman Trustees Ltd	5,675	0.14%
Anthony Hastings Macrae & Wendy Nancy Jollasse Macrae	5,191	0.12%
FNZ Custodians Limited	4,913	0.12%
Kerry Michelle O'Connor	4,816	0.12%
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	4,390	0.11%
Lincoln Lewis Evelyn Broad	4,344	0.10%
	4,066,516	97.65%

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2018. The total number of units on issue at 31 March 2018 was 4,190,468.

NZ Dividend Fund (DIV)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the NZ Dividend Fund

Report to Unitholders

HIGHLIGHTS

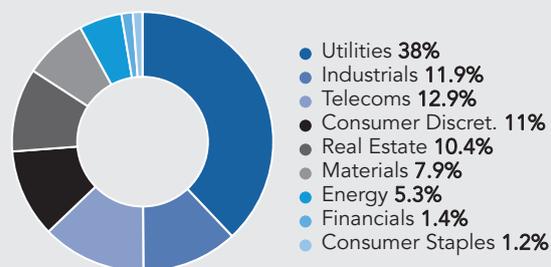
Launch Date 7-Apr-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.071	\$1.108
Units On Issue	21,282,211	30,712,302
Funds Under Management	\$22,789,843	\$34,029,893
Gross Distribution	\$0.073	\$0.064
Gross Distribution Yield	6.83%	5.80%
Gross Return	3.18%	7.61%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

NZ DIVIDEND FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ DIVIDEND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Dividend Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		1,753	1,803
Securities lending income		8	9
Net changes in fair value of financial assets at fair value through profit or loss		<u>(846)</u>	<u>(124)</u>
Total income		<u>915</u>	<u>1,688</u>
EXPENSES			
Management fees expense	6	(192)	(158)
Miscellaneous expenses		<u>(2)</u>	<u>(1)</u>
Total expenses		<u>(194)</u>	<u>(159)</u>
Profit before tax		721	1,529
Income tax expense	1	<u>(1)</u>	<u>(38)</u>
Profit after tax		720	1,491
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>720</u>	<u>1,491</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>2.29</u>	<u>5.62</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2018**

		2018	2017
		\$'000	\$'000
Unitholders' funds at the beginning of the year		34,029	24,806
Total comprehensive income for the year		<u>720</u>	<u>1,491</u>
Subscriptions from unitholders	5	8,234	8,943
Redemptions by unitholders	5	(18,451)	-
Distributions to unitholders	4	<u>(1,742)</u>	<u>(1,211)</u>
		<u>(11,959)</u>	<u>7,732</u>
Unitholders' funds at the end of the year		<u><u>22,790</u></u>	<u><u>34,029</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		389	922
Receivables		263	414
Investments in equity securities held at fair value through profit or loss		22,312	33,798
Taxation receivable		3	20
Deferred tax asset		2	-
Unsettled sales of investments		<u>1,760</u>	<u>-</u>
TOTAL ASSETS		<u>24,729</u>	<u>35,154</u>
LIABILITIES			
Management fees payable	6	(1)	(2)
Deferred tax liability	1	-	(14)
Funds held for unit purchases		(178)	(566)
Unsettled purchases of investments		<u>(1,760)</u>	<u>(543)</u>
TOTAL LIABILITIES		<u>(1,939)</u>	<u>(1,125)</u>
UNITHOLDERS' FUNDS		<u>22,790</u>	<u>34,029</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>24,729</u>	<u>35,154</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,904	1,691
Securities lending income received	8	9
<i>Cash was applied to:</i>		
Management fees paid	(193)	(167)
Taxation paid	-	(78)
Miscellaneous expenses paid	(2)	(1)
Net cash flows from operating activities	<u>1,717</u>	<u>1,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	9,129	7,890
<i>Cash was applied to:</i>		
Purchase of investments	<u>(12,311)</u>	<u>(12,513)</u>
Net cash flows from investing activities	<u>(3,182)</u>	<u>(4,623)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	2,733	4,968
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(59)	-
Distributions paid to unitholders	<u>(1,742)</u>	<u>(1,211)</u>
Net cash flows from financing activities	<u>932</u>	<u>3,757</u>
Net (decrease)/increase in cash and cash equivalents	(533)	588
Cash and cash equivalents at the beginning of the year	<u>922</u>	<u>334</u>
Cash and cash equivalents at the end of year	<u><u>389</u></u>	<u><u>922</u></u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	720	1,491
Net changes in fair value of financial assets at fair value through profit or loss	846	124
Decrease/(increase) in taxation receivable	17	(20)
Increase in deferred tax asset	(2)	-
Decrease in taxation payable	-	(34)
(Decrease)/increase in deferred tax liability	(14)	14
Decrease in management fees payable	(1)	(9)
Decrease/(increase) in receivables	<u>151</u>	<u>(112)</u>
Net cash flows from operating activities	<u>1,717</u>	<u>1,454</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Dividend Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 19 March 2015 and commenced operation on 7 April 2015.

The Fund's units are quoted on the NZX Main Board. The fund is a passive investment fund that tracks the S&P/NZX 50 High Dividend Index ('the Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the distributions are on the last business day of May and November in each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from its investments in securities and securities lending income after the deduction of management fees. The Fund is able to utilise imputation credits when they arise. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends and tax losses to be carried forward.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all of its income from its New Zealand equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(17)	(54)
Deferred tax movement	16	16
Total tax expense	<u>(1)</u>	<u>(38)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2018	2017
	\$'000	\$'000
Profit before tax	721	1,529
Income tax using the statutory income tax rate 28%	(202)	(428)
Net changes in fair value of financial assets	(237)	(35)
Non taxable income	(16)	63
Gross up of imputation credits	(177)	(141)
	(632)	(541)
Less imputation credits and other tax credits	631	503
Income tax expense as per Statement of Comprehensive Income	<u>(1)</u>	<u>(38)</u>

Deferred tax

	2018	2017
	\$'000	\$'000
Opening balance	(14)	-
Current period movement	16	16
Prior period adjustment	-	(30)
Closing balance	<u>2</u>	<u>(14)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	250	352

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	720	1,491
Weighted average number of units ('000)	<u>31,432</u>	<u>26,535</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>2.29</u></u>	<u><u>5.62</u></u>

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	2.15	-	497
November 2016 (paid December 2016)	31/03/2017	2.48	-	714
May 2017 (paid June 2017)	31/03/2018	2.37	750	-
November 2017 (paid December 2017)	31/03/2018	2.90	<u>992</u>	<u>-</u>
			<u><u>1,742</u></u>	<u><u>1,211</u></u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 21,282,000 units on issue (2017: 30,712,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 7,375,000 (2017: 8,000,000) for total value of \$8,234,000 (2017: \$8,943,000).

The number of units redeemed during the year ended 31 March 2018 was 16,805,000 (2017: nil) for total value of \$18,451,000 (2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	30,712	22,712
Subscriptions received during the year	7,375	8,000
Redemptions made during the year	<u>(16,805)</u>	<u>-</u>
Units on issue at the end of the year	<u><u>21,282</u></u>	<u><u>30,712</u></u>

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.07086 (2017: \$1.10800). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 2,834,876 units (2017: 19,626,510) valued at \$3,036,000 (2017: \$21,747,000) in the Fund.

Distributions

The Fund paid distributions of \$1,033,000 to SLI for the year ended 31 March 2018 (2017: \$486,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$192,000 (2017: \$158,000) with \$1,000 (2017: \$2,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$13,000 (2017: \$13,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$6,000 (2017: \$9,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

The Fund has a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2018 the value of securities the Fund had on loan to NZCL was \$724,000 (2017: \$861,000). Total security lending fees for the year ended 31 March 2018 amounted to \$8,000 (2017: \$9,000), with the accrued fees due to the Fund of \$1,000 (2017: \$1,000). The fees earned by the Fund represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2018	2017
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	389	922
Receivables	263	414
Unsettled sales of investments	1,760	-
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	22,312	33,798

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	2018	2017
	\$'000	\$'000
<i>Other financial liabilities</i>		
Management fees payable	(1)	(2)
Funds held for unit purchases	(178)	(566)
Unsettled purchases of investments	(1,760)	(543)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$2,231,000 (2017: \$3,380,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	389	922
Receivables	263	414
Unsettled sales of investments	1,760	-

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	2018		2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	178	AA-	566	AA-
BNZ	211	AA-	356	AA-
	<u>389</u>		<u>922</u>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities could fail to deliver equivalent securities on termination of a loan or encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund could result in errors, fraud or misconduct that cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2018, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited.

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

9. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ DIVIDEND FUND



Independent Auditor's Report

To the unitholders of NZ Dividend Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Dividend Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$247,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ DIVIDEND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 90.2% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ DIVIDEND FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	237	22.19%	143,179	0.66%
1,001-5,000	409	38.30%	1,068,199	4.96%
5,001-10,000	154	14.42%	1,183,041	5.49%
10,001-50,000	219	20.51%	5,091,147	23.64%
50,001-100,000	28	2.62%	2,075,413	9.64%
Greater than 100,000	21	1.97%	11,971,232	55.60%
TOTAL	1,068	100.00%	21,532,211	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Investment Custodial Services Limited	2,956,306	13.73%
Superlife Nominees Limited	2,759,876	12.82%
Gary Anthony Vink & Jane Margaret Vink	1,490,040	6.92%
JBWERE (Nz) Nominees Limited	946,190	4.39%
FNZ Custodians Limited	580,183	2.69%
Joanna Marie Deighton	451,570	2.10%
My Tax Back NZ Limited	436,681	2.03%
Martin Clive Farrell & Karin Joanne Farrell & Jill Maree Darragh	353,328	1.64%
Nicholas John Blythe	297,467	1.38%
Martin Clive Farrell & Denise Ruth Farrell & Richard Heywood Taylor	219,243	1.02%
Benjamin David Bonoma & Sarah Victoria Bonoma	205,149	0.95%
Matthew Weir	182,728	0.85%
Alan James Phillips & Helen Marie Phillips	143,775	0.67%
Jonathan Schwass & Ann Howarth	142,626	0.66%
Barbara Anne Bridger	133,086	0.62%
Forsyth Barr Custodians Limited	125,861	0.58%
Donald John Lyon	120,000	0.56%
Theodore Francis Duyvestyn & Maree Margaret Ashton & Graham Brown & Co Trustees Limited	112,635	0.52%
Investment Custodial Services Limited	111,367	0.52%
MLT Investments Limited	101,705	0.47%
	11,869,816	55.12%

Australian Dividend Fund (ASD)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Australian Dividend Fund

Report to Unitholders

HIGHLIGHTS

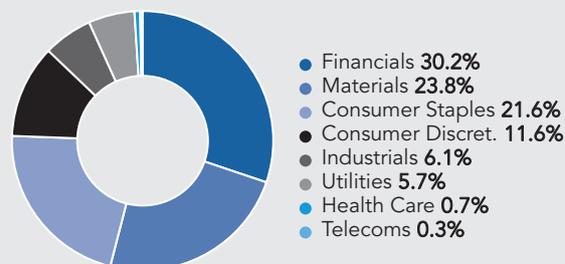
Launch Date 16-Dec-14

	March 2018	March 2017
Net Tangible Assets (NTA)	\$1.586	\$1.771
Units On Issue	17,929,541	39,790,493
Funds Under Management	\$28,428,722	\$70,486,888
Gross Distribution	\$0.074	\$0.076
Gross Distribution Yield	4.67%	4.27%
Gross Return	-6.49%	17.20%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

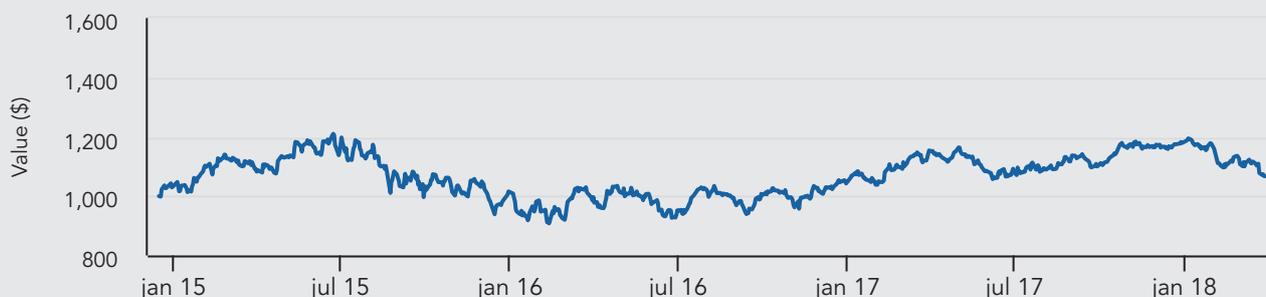
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

AUSTRALIAN DIVIDEND FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN DIVIDEND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Dividend Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		4,011	3,623
Net changes in fair value of financial assets at fair value through profit or loss		<u>(6,359)</u>	<u>7,052</u>
Total income		<u>(2,348)</u>	<u>10,675</u>
EXPENSES			
Management fees expense	6	(375)	(339)
Foreign exchange loss		(283)	(1)
Miscellaneous expenses		<u>(17)</u>	<u>(8)</u>
Total expenses		<u>(675)</u>	<u>(348)</u>
(Loss)/profit before tax		(3,023)	10,327
Income tax expense	1	<u>(941)</u>	<u>(747)</u>
(Loss)/profit after tax		(3,964)	9,580
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income		<u>(3,964)</u>	<u>9,580</u>
EARNINGS PER UNIT			
Basic and diluted (losses)/earnings per unit (cents per unit)	3	<u>(9.96)</u>	<u>24.27</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

		2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		70,465	61,066
Total comprehensive (loss)/income for the year		<u>(3,964)</u>	<u>9,580</u>
Subscriptions from unitholders	5	4,935	1,972
Redemptions by unitholders	5	(40,596)	-
Distributions to unitholders	4	<u>(2,374)</u>	<u>(2,153)</u>
		<u>(38,035)</u>	<u>(181)</u>
Unitholders' funds at the end of the year		<u><u>28,466</u></u>	<u><u>70,465</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		746	1,174
Receivables		557	570
Investments in equity securities held at fair value through profit or loss		<u>27,872</u>	<u>69,119</u>
TOTAL ASSETS		<u>29,175</u>	<u>70,863</u>
LIABILITIES			
Management fees payable	6	(1)	(3)
Taxation payable		(474)	(232)
Deferred tax liability	1	(156)	(91)
Funds held for unit purchases		(78)	(23)
Unsettled purchases of investments		<u>-</u>	<u>(49)</u>
TOTAL LIABILITIES		<u>(709)</u>	<u>(398)</u>
UNITHOLDERS' FUNDS		<u>28,466</u>	<u>70,465</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>29,175</u>	<u>70,863</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.

Director

Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	3,984	3,822
<i>Cash was applied to:</i>		
Management fees paid	(377)	(364)
Taxation paid	(594)	(704)
Miscellaneous expenses paid	(17)	(8)
Net cash flows from operating activities	<u>2,996</u>	<u>2,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	34,381	34,724
<i>Cash was applied to:</i>		
Purchase of investments	(36,318)	(35,339)
Net cash flows from investing activities	<u>(1,937)</u>	<u>(615)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,682	655
<i>Cash was applied to:</i>		
Redemptions by unitholders	(765)	-
Distributions paid to unitholders	(2,374)	(2,351)
Net cash flows from financing activities	<u>(1,457)</u>	<u>(1,696)</u>
Net (Decrease)/increase in cash and cash equivalents	(398)	435
Cash and cash equivalents at the beginning of the year	1,174	733
Effect of exchange rate fluctuations on cash and cash equivalents	(30)	6
Cash and cash equivalents at the end of the year	<u>746</u>	<u>1,174</u>
Reconciliation of (loss)/profit after tax to net cash flows from operating activities		
(Loss)/profit after tax	(3,964)	9,580
Net changes in fair value of financial assets at fair value through profit or loss	6,359	(7,052)
Foreign exchange loss	283	1
Increase/(decrease) in taxation payable	242	(87)
Increase in deferred tax liability	65	91
Decrease in management fees payable	(2)	(25)
Decrease in receivables	13	238
Net cash flows from operating activities	<u>2,996</u>	<u>2,746</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Australian Dividend Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 1 December 2014 and commenced operation on 16 December 2014.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX Dividend Opportunities Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 29 March 2018.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as the financial assets' performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are the last business days of May and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from its investments in securities after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. The Fund is able to utilise imputation credits and foreign withholding tax credits when they arise. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(877)	(850)
Prior period adjustment	1	4
Deferred tax movement	<u>(65)</u>	<u>99</u>
Total tax expense	<u>(941)</u>	<u>(747)</u>

The prima facie income tax expense on (Loss)/profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2018	2017
	\$'000	\$'000
(Loss)/profit before tax	<u>(3,023)</u>	<u>10,327</u>
Income tax using the statutory income tax rate 28%	846	(2,892)
Net changes in fair value of financial assets	(1,797)	1,971
Non taxable income	(46)	105
Tax on securities subject to FDR	(54)	(57)
Gross up of imputation credits	<u>(42)</u>	<u>(48)</u>
	(1,093)	(921)
Less imputation credits and other tax credits	151	170
Prior period adjustment	<u>1</u>	<u>4</u>
Income tax expense as per Statement of Comprehensive Income	<u>(941)</u>	<u>(747)</u>

Deferred tax

	2018	2017
	\$'000	\$'000
Opening balance	(91)	-
Current period movement	(65)	99
Prior period adjustment	<u>-</u>	<u>(190)</u>
Closing balance	<u>(156)</u>	<u>(91)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	671	488

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of the Fund's financial instruments are quoted market prices and are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
(Loss)/profit after tax (\$'000)	(3,964)	9,580
Weighted average number of units ('000)	39,812	39,468
Basic and diluted (losses)/earnings per unit (cents per unit)	(9.96)	24.27

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	2.20	-	865
September 2016 (paid October 2016)	31/03/2017	0.53	-	210
November 2016 (paid December 2016)	31/03/2017	2.72	-	1,078
May 2017 (paid June 2017)	31/03/2018	3.22	1,326	-
November 2017 (paid December 2017)	31/03/2018	2.47	1,048	-
			2,374	2,153

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 17,929,000 units on issue (2017: 39,790,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 2,875,000 (2017: 1,250,000) for total value of \$4,935,000 (2017: \$1,972,000).

The number of units redeemed during the year ended 31 March 2018 was 24,736,000 (2017: nil) for total value of \$40,596,000 (2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	39,790	38,540
Subscriptions received during the year	2,875	1,250
Redemptions made during the year	(24,736)	-
Units on issue at the end of the year	17,929	39,790

Applications and redemptions are transacted in the form of baskets rather than cash. Baskets are made up of the proportionate number of underlying securities in return for units plus a small cash amount representing the accrued income to be distributed. Subscription cash also includes new direct applications for units as well as regular contributions by current unitholders.

The net asset value of each unit per the financial statements is \$1.58771 (2017: \$1.77092). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 13,992,735 (2017: 37,655,556) units valued at \$22,187,000 (2017: \$66,705,000) in the Fund.

Distributions

The Fund paid distribution of \$2,209,000 to SLI for the year ended 31 March 2018 (2017: \$1,024,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2018 amounted to \$375,000 (2017: \$339,000), with \$1,000 (2017: \$3,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$12,000 (2017: \$13,000).

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$3,000 (2017: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

7. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	746	1,174
Receivables	557	570
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	27,872	69,119
<u>Other financial liabilities</u>		
Management fees payable	(1)	(3)
Funds held for unit purchases	(78)	(23)
Unsettled purchases of investments	-	(49)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

7a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2018 would have increased/decreased net profit and unitholder funds by \$2,787,000 (2017: \$6,912,000).

7b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	746	1,174
Receivables	557	570

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	78	AA-	23	AA-
BNP Paribas	7	A	206	A
Westpac	661	AA-	945	AA-
	<u>746</u>		<u>1,174</u>	

7c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

7d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2018 would have decreased/increased profit and unitholders funds by \$2,844,000 (2017: \$6,985,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the Fund's exposure to currency risks.

	2018	2017
	\$'000	\$'000
Australian dollar cash held (NZD)	7	206
Receivables	557	570
Investments in equity securities held at fair value through profit or loss	27,872	69,119
Unsettled purchases of investments	-	(49)

8. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

9. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2018 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN DIVIDEND FUND



Independent Auditor's Report

To the unitholders of Australian Dividend Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Dividend Fund (the fund) on pages 3 to 14:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$292,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN DIVIDEND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Carrying amount of investments	
<p>The fund’s portfolio of investments makes up 95.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls — agreeing the 31 March 2018 valuation of listed equity investments to externally quoted prices — agreeing investment holdings to confirmations received from the administration manager <p>We did not identify any material differences in relation to the carrying amount of investments.</p>



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity’s Annual Report. Other information may include the Chairman’s report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor’s Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN DIVIDEND FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington
24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	125	27.35%	63,268	0.36%
1,001-5,000	165	36.11%	381,622	2.14%
5,001-10,000	75	16.41%	495,362	2.78%
10,001-50,000	77	16.85%	1,494,444	8.39%
50,001-100,000	7	1.53%	459,237	2.58%
Greater than 100,000	8	1.75%	14,910,608	83.75%
TOTAL	457	100.00%	17,804,541	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	13,731,035	77.12%
My Tax Back NZ Limited	303,582	1.71%
FNZ Custodians Limited	252,593	1.42%
Philippa Jane Stubbins & Comac Trustee Limited	165,308	0.93%
Investment Custodial Services Limited	132,086	0.74%
Benjamin David Bonoma & Sarah Victoria Bonoma	121,717	0.68%
Terence Murray Fleming & Jane Michelle Fleming & Sw Trust Services (Ten) Ltd	103,447	0.58%
Bianca Helena Yianni	100,840	0.57%
Barbara Anne Bridger	91,450	0.51%
Joanna Marie Deighton	75,180	0.42%
Matthew Weir	65,930	0.37%
Richard George Lane	63,507	0.36%
Tracy Barbara Olberg	61,350	0.34%
Thierry Adam	51,104	0.29%
David Georges Andre Dromer	50,716	0.28%
Mark John Scott Mckearney	47,635	0.27%
Craigs Investment Partners Limited	43,009	0.24%
David Martirus Peters	42,625	0.24%
Billy Cheung Services Limited	36,528	0.21%
Anthony Neil Hooks & Jillian Jeanette Hooks	34,592	0.19%
	15,574,234	87.47%

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2018. The total number of units on issue at 31 March 2018 was 17,929,541.

Global Bond Fund (GBF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the Global Bond Fund

Report to Unitholders

HIGHLIGHTS

Launch Date 12-Nov-15

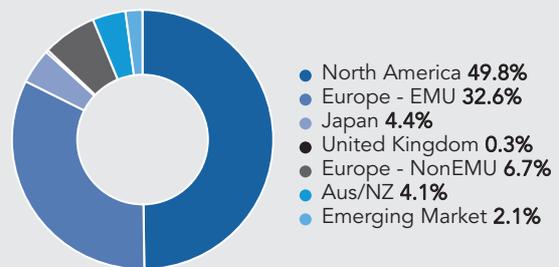
	March 2018	March 2017
Net Tangible Assets (NTA)	\$3.142	\$3.101
Units On Issue	54,176,479	42,071,479
Funds Under Management	\$170,215,996	\$130,463,970
Gross Return	3.28%	4.41%
Duration	5.4	6.97
Yield to Maturity	4.17%	4.95%
Average Rating	AA	A+
Total Fund Charges	0.54%	0.54%
Distributions paid	Quarterly	

Growth of \$1,000*

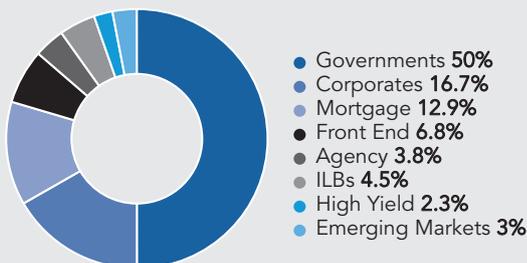


*Since inception with all distributions reinvested.

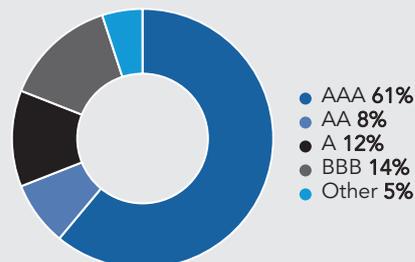
Country Allocation



Sector Allocation



Credit Allocation



GLOBAL BOND FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

INVESTMENT MANAGER

PIMCO Australia Pty Limited
Level 19, 363 George Street
Sydney, New South Wales 2000
Australia

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

GLOBAL BOND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Global Bond Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

GLOBAL BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		3	2
Interest income		3,427	2,427
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		1,198	5,253
Foreign exchange gain		1,386	-
Other income		<u>2</u>	<u>-</u>
Total income		<u>6,016</u>	<u>7,682</u>
EXPENSES			
Management fees expense	9	(755)	(699)
Foreign exchange loss		-	(832)
Interest expense		(83)	(25)
Miscellaneous expenses		<u>(38)</u>	<u>(28)</u>
Total expenses		<u>(876)</u>	<u>(1,584)</u>
Profit before tax		5,140	6,098
Income tax expense	1	<u>(1,440)</u>	<u>(1,708)</u>
Profit after tax		3,700	4,390
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>3,700</u>	<u>4,390</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	5	<u>8.19</u>	<u>10.51</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		130,491	123,222
Total comprehensive income for the year		<u>3,700</u>	<u>4,390</u>
Subscriptions from unitholders	7	38,059	5,782
Distributions to unitholders	6	<u>(1,945)</u>	<u>(2,903)</u>
		<u>36,114</u>	<u>2,879</u>
Unitholders' funds at the end of the year		<u><u>170,305</u></u>	<u><u>130,491</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash at banks		2,595	833
Balances due from brokers	4	2,480	4,548
Receivables		956	981
Investment securities held at fair value through profit or loss		166,181	133,091
Equity securities held at fair value through profit or loss		85	-
Derivatives held for trading	2	5,184	2,718
Unsettled sales of investments		<u>395</u>	<u>1,371</u>
TOTAL ASSETS		<u>177,876</u>	<u>143,542</u>
LIABILITIES			
Bank overdraft		-	(63)
Management fees payable	9	(8)	(6)
Taxation payable		(355)	(229)
Derivatives held for trading	2	(6,368)	(6,639)
Funds held for unit purchases		(83)	(83)
Unsettled purchases of investments		<u>(757)</u>	<u>(6,031)</u>
TOTAL LIABILITIES		<u>(7,571)</u>	<u>(13,051)</u>
UNITHOLDERS' FUNDS		<u>170,305</u>	<u>130,491</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>177,876</u>	<u>143,542</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.

Director

Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	3	2
Interest income received	3,452	2,272
Miscellaneous income received	2	-
<i>Cash was applied to:</i>		
Management fees paid	(753)	(749)
Taxation paid	(1,314)	(2,535)
Interest paid	(83)	(25)
Miscellaneous expenses paid	(38)	(28)
Net cash flows from operating activities	<u>1,269</u>	<u>(1,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	215,134	277,515
Balance due from broker movement	2,068	-
<i>Cash was applied to:</i>		
Purchase of investments	(252,917)	(278,501)
Balance due to broker movement	-	(2,550)
Net cash flows from investing activities	<u>(35,715)</u>	<u>(3,536)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	38,059	5,782
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(1,945)	(3,508)
Net cash flows from financing activities	<u>36,114</u>	<u>2,274</u>
Net increase/(decrease) in cash and cash equivalents	1,668	(2,325)
Cash and cash equivalents at the beginning of the year	770	2,997
Effect of exchange rate fluctuations on cash and cash equivalents	157	98
Cash and cash equivalents at the end of the year	<u>2,595</u>	<u>770</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	3,700	4,390
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	(1,198)	(5,253)
Foreign exchange (gain)/loss	(1,386)	832
Increase/(decrease) in taxation payable	126	(834)
Increase/(decrease) in payables	2	(50)
Decrease/(increase) in receivables	25	(148)
Net cash flows from operating activities	<u>1,269</u>	<u>(1,063)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The Global Bond Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operations on 9 November 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the Barclays Global Aggregate Index (the 'Index') by 1% per annum over a rolling three-year period, hedged in NZ dollars. As prescribed by the Trust Deed, the Fund invests in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(b) Changes in fair value of financial assets and financial liabilities

Changes in financial assets and financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those held at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short-term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

(ii) Financial assets designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(b) Recognition, derecognition and measurement

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets and financial liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(c) Fair value determination

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and counterparty.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Balance due from/to brokers

Balance due from/to brokers includes margin cash and cash collateral that are identified in the Statement of Financial Position and not included as a component of cash and cash equivalents.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets and financial liabilities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distributions.

Repurchase agreements

Securities subject to repurchase agreements are recognised within the investments in "investment securities held at fair value through profit or loss".

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of February, May, August and November each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest and gains and losses from its investments in securities after the deduction of management fees and other deductible expenses. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax ('GST')

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in marketable and debt securities. The Fund receives all of its income from its investments. Note 11 has a breakdown of interest income by geographical location.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018 and earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are interest income and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(1,440)</u>	<u>(1,708)</u>
Total tax expense	<u><u>(1,440)</u></u>	<u><u>(1,708)</u></u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	2018	2017
	\$'000	\$'000
Profit before tax	<u>5,140</u>	<u>6,098</u>
Income tax using the statutory income tax rate 28%	(1,439)	(1,707)
Net changes in fair value of financial assets and financial liabilities	-	-
Non-taxable income	-	-
Gross up of imputation credits	<u>-</u>	<u>-</u>
	-	-
Less imputation credits and other tax credits	<u>(1)</u>	<u>(1)</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(1,440)</u></u>	<u><u>(1,708)</u></u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	2,491	1,811

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. DERIVATIVES HELD FOR TRADING

The Fund holds the following derivative instruments:

(a) *Forward foreign exchange contracts*

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

(b) *Forward rate agreements*

Forward rate agreements are contracts for borrowing or lending at a stated interest rate over a stated time period that begins at some time in the future.

(c) *To-Be-Announced forwards (TBA)*

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on a cash basis.

(d) *Swaps*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

(e) *Options*

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a stipulated price within a stated period of time for the current fair value of the instruments.

(f) *Futures*

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

	2018	2017
	\$'000	\$'000
<i>Derivative assets held for trading :</i>		
Forward foreign exchange contracts	2,618	1,110
To-Be-Announced forwards	192	147
Forward rate agreements	15	-
Interest rate swaps	1,353	950
Credit default swaps	8	198
Options	101	53
Futures	897	260
	5,184	2,718
<i>Derivative liabilities held for trading :</i>		
Forward foreign exchange contracts	(4,411)	(4,365)
To-Be-Announced forwards	(40)	(128)
Interest rate swaps	(805)	(1,369)
Credit default swaps	(342)	(427)
Options	(297)	(237)
Futures	(473)	(113)
	(6,368)	(6,639)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

There were no transfers between levels in the year ended 31 March 2018 (2017: none).

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

There are no financial instruments are categorised at level 3 (2017: none).

	2018			2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets held at fair value through profit or loss</i>						
Interest-bearing securities	-	166,181	166,181	-	133,091	133,091
Investments in listed equity securities	85	-	85	-	-	-
	85	166,181	166,266	-	133,091	133,091
<i>Derivative assets held for trading:</i>						
Forward foreign exchange contracts	-	2,618	2,618	-	1,110	1,110
To-Be-Announced forwards	-	192	192	-	147	147
Forward rate agreements	-	15	15	-	-	-
Interest rate swaps	-	1,353	1,353	-	950	950
Credit default swaps	-	8	8	-	198	198
Options	-	101	101	-	53	53
Futures	897	-	897	260	-	260
	897	4,287	5,184	260	2,458	2,718
<i>Derivative liabilities held for trading:</i>						
Forward foreign exchange contracts	-	(4,411)	(4,411)	-	(4,365)	(4,365)
To-Be-Announced forwards	-	(40)	(40)	-	(128)	(128)
Interest rate swaps	-	(805)	(805)	-	(1,369)	(1,369)
Credit default swaps	-	(342)	(342)	-	(427)	(427)
Options	-	(297)	(297)	-	(237)	(237)
Futures	(473)	-	(473)	(113)	-	(113)
	(473)	(5,895)	(6,368)	(113)	(6,526)	(6,639)

The fair value of fixed interest securities at the reporting date are based on binding dealer price quotations and are categorised within level 2.

The fair value of exchange-traded futures and preference shares are based on quoted market prices and are included within level 1.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives such as options. For these financial instruments, inputs into models are market observable and are therefore included within level 2. The fair values of forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles. The fair values of To-Be-Announced forwards are calculated by reference to underlying bond prices. The fair value of credit default swaps is based on the quoted market prices and included in within level 2. The fair value of the interest rate swaps is calculated by the yield curve of underlying interest securities interest rates and is included in the within level 2.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

4. BALANCES DUE FROM BROKERS

	2018	2017
	\$'000	\$'000
Margin accounts	88	427
Cash collateral	<u>2,392</u>	<u>4,121</u>
	<u>2,480</u>	<u>4,548</u>

Margin accounts represent cash deposits with brokers, transferred as collateral against open derivative contracts.

5. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	3,700	4,390
Weighted average number of units ('000)	<u>45,163</u>	<u>41,753</u>
Basic and diluted earnings per unit (cents per unit)	<u>8.19</u>	<u>10.51</u>

6. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	1.44	-	600
September 2016 (paid October 2016)	31/03/2017	3.03	-	1,264
November 2016 (paid December 2016)	31/03/2017	1.30	-	544
February 2017 (paid March 2017)	31/03/2017	1.18	-	495
May 2017 (paid June 2017)	31/03/2018	1.20	505	-
August 2017 (paid September 2017)	31/03/2018	1.15	490	-
November 2017 (paid December 2017)	31/03/2018	1.09	485	-
February 2018 (paid March 2018)	31/03/2018	0.91	<u>465</u>	<u>-</u>
			<u>1,945</u>	<u>2,903</u>

7. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 54,176,000 units on issue (2017: 42,071,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 12,105,000 (2017: 1,875,000) for total value of \$38,059,000 (2017: \$5,782,000).

The number of units redeemed during the year ended 31 March 2018 was nil (2017: nil) for total value of \$nil (2017: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. UNITHOLDERS' FUNDS (Continued)

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	42,071	40,196
Subscriptions received during the year	<u>12,105</u>	<u>1,875</u>
Units on issue at the end of the year	<u>54,176</u>	<u>42,071</u>

The net asset value of each unit per the financial statements is \$3.14355 (2017: \$3.10169). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

8. MATURITY ANALYSIS

The Fund invests in international interest-bearing assets and other fixed income securities.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	2018			2017		
	Within 12 months	Over 12 months	Total	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash at banks	2,595	-	2,595	833	-	833
Balances due from brokers	2,480	-	2,480	4,548	-	4,548
Receivables	956	-	956	981	-	981
Investment securities held at fair value through profit or loss	44,336	121,845	166,181	18,842	114,249	133,091
Equity securities held at fair value through profit or loss	-	85	85	-	-	-
Derivatives held for trading	3,675	1,509	5,184	1,310	1,408	2,718
Unsettled sales of investments	<u>395</u>	<u>-</u>	<u>395</u>	<u>1,371</u>	<u>-</u>	<u>1,371</u>
Total assets	<u>54,437</u>	<u>123,439</u>	<u>177,876</u>	<u>27,885</u>	<u>115,657</u>	<u>143,542</u>
LIABILITIES						
Bank overdraft	-	-	-	(63)	-	(63)
Management fees payable	(8)	-	(8)	(6)	-	(6)
Taxation payable	(355)	-	(355)	(229)	-	(229)
Derivatives held for trading	(5,194)	(1,174)	(6,368)	(4,508)	(2,131)	(6,639)
Funds held for unit purchases	(83)	-	(83)	(83)	-	(83)
Unsettled purchases of investments	<u>(757)</u>	<u>-</u>	<u>(757)</u>	<u>(6,031)</u>	<u>-</u>	<u>(6,031)</u>
Total liabilities	<u>(6,397)</u>	<u>(1,174)</u>	<u>(7,571)</u>	<u>(10,920)</u>	<u>(2,131)</u>	<u>(13,051)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

9. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme (“SLI”), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited held 46,145,199 units (2017: 40,091,479) valued at \$144,983,000 (2017: \$124,324,000) in the Fund.

Distributions

The Fund paid distributions of \$1,812,000 to SLI for the year ended 31 March 2018 (2017: \$993,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, investment manager, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash retained for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$755,000 (2017: \$699,000), with \$8,000 (2017: \$6,000) of outstanding accrued management fees due to the Manager at the end of the year.

Total direct purchase application fees for the year ended 31 March 2018 amounted to \$2,000 (2017: \$3,000).

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$3,000 (2017: \$nil).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

10. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2018	2017
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash at banks	2,595	833
Balances due from brokers	2,480	4,548
Receivables	956	981
Unsettled sales of investments	395	1,371
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>		
Investment securities held at fair value through profit or loss	166,181	133,091
Equity securities held at fair value through profit or loss	85	-
Derivatives held for trading (financial assets)	5,184	2,718
Derivatives held for trading (financial liabilities)	(6,368)	(6,639)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	2018	2017
	\$'000	\$'000
<i><u>Other financial liabilities</u></i>		
Bank overdraft	-	(63)
Management fees payable	(8)	(6)
Distribution payable to unitholders	-	-
Funds held for unit purchases	(83)	(83)
Unsettled purchases of investments	(757)	(6,031)

The Fund's activities expose it to a variety of financial risks: market price risk, interest rate risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

10a. Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund invests mainly in interest-bearing assets which are not directly subject to market price risk. However, the Fund holds futures contracts which are subject to market price risk. A 10% increase/decrease in market price will result in an increase/decrease in fair value on financial assets and financial liabilities through profit or loss of \$10,740,000 (2017: \$8,865,000). The Fund also holds listed preference shares which are subject to market price risk, however this risk is not considered to be significant.

10b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities) and derivatives (including interest rate swaps).

The Fund holds interest-bearing financial assets and liabilities - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2018					
	Within 6	Between	Between	Between	Over 5	Total
	months	6-12	1-2 years	2-5 years	years	\$'000
	\$'000	months	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash at banks	2,595	-	-	-	-	2,595
International interest-bearing securities	39,826	4,510	12,660	44,995	64,190	166,181
Derivatives held for trading	208	-	31	512	803	1,554
Total financial assets subject to interest rate risk	<u>42,629</u>	<u>4,510</u>	<u>12,691</u>	<u>45,507</u>	<u>64,993</u>	<u>170,330</u>
LIABILITIES						
Derivatives held for trading	(40)	-	(562)	(61)	(182)	(845)
Total financial liabilities subject to interest rate risk	<u>(40)</u>	<u>-</u>	<u>(562)</u>	<u>(61)</u>	<u>(182)</u>	<u>(845)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. FINANCIAL RISK MANAGEMENT (Continued)

	2017					Total \$'000
	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	
	ASSETS					
Cash and Cash Equivalents	833	-	-	-	-	833
International interest-bearing securities	24,312	6,756	15,227	34,229	64,947	145,471
Interest-bearing securities - repurchase agreements	(12,380)	-	-	-	-	(12,380)
Derivatives held for trading	-	-	-	24	697	721
Total financial assets subject to interest rate risk	12,765	6,756	15,227	34,253	65,644	134,645
LIABILITIES						
Overdraft	(63)	-	-	-	-	(63)
Derivatives held for trading	-	-	-	(482)	(760)	(1,242)
Total financial liabilities subject to interest rate risk	(63)	-	-	(482)	(760)	(1,305)

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 31 March 2017. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the year based on floating rate financial assets held at 31 March 2018.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets at 31 March 2018.

	2018			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
	Cash at banks	26	(26)	-
International interest-bearing securities	103	(103)	(9,173)	10,284
Derivatives held for trading	-	-	2,746	(3,423)

	2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
	Cash at banks	9	(9)	-
International interest-bearing securities	-	-	(8,393)	9,469
Derivatives held for trading	-	-	2,944	(2,864)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. FINANCIAL RISK MANAGEMENT (Continued)

10c. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets (excluding repurchase agreements) of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments, such as forward foreign exchange contracts, interest rate swaps and credit default swaps, at any time, is limited to those with net positive fair value (Note 2).

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest credit rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	2018				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	71,359	43,531	50,451	840	166,181
Derivatives held for trading	<u>1,375</u>	<u>2,488</u>	<u>116</u>	<u>-</u>	<u>3,979</u>
	<u>72,734</u>	<u>46,019</u>	<u>50,567</u>	<u>840</u>	<u>170,160</u>

	2017				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	72,785	25,276	43,285	4,125	145,471
Derivatives held for trading	<u>77</u>	<u>2,181</u>	<u>-</u>	<u>-</u>	<u>2,258</u>
	<u>72,862</u>	<u>27,457</u>	<u>43,285</u>	<u>4,125</u>	<u>147,729</u>

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance excluding bank overdraft with each bank above at the reporting date.

	2018		2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	83	AA-	83	AA-
BNP Paribas	2,512	A	750	A
Westpac	<u>-</u>	AA-	<u>-</u>	AA-
	<u>2,595</u>		<u>833</u>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. FINANCIAL RISK MANAGEMENT (Continued)

Balances due from brokers

Balances due from brokers represent margin accounts and cash collaterals. At the reporting date, the Fund's futures margin accounts are held with Morgan Stanley (A+ S&P credit rating) (2017: A+). The Fund's cash collateral balances are also mainly held with Morgan Stanley.

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

10d. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is able to generate sufficient cash on a timely manner to meet its financial commitments and normal level of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

The table below analyses the net settled derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining periods at balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The contractual cash flows are based on the spot rate at the reporting date.

2018

	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1- 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
Derivative assets held for trading	5,184					
<i>Inflow</i>		370,648	363,203	6,424	929	92
<i>Outflow</i>		(366,409)	(359,630)	(6,149)	(563)	(67)
Derivative liabilities held for trading	(6,368)					
<i>Inflow</i>		383,453	378,067	1,248	1,015	3,123
<i>Outflow</i>		(390,557)	(383,029)	(1,641)	(1,841)	(4,046)

2017

	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1- 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
Derivative assets held for trading	2,718					
<i>Inflow</i>		245,342	220,453	3,549	12,760	8,580
<i>Outflow</i>		(236,838)	(218,179)	(3,094)	(9,508)	(6,057)
Derivative liabilities held for trading	(6,639)					
<i>Inflow</i>		387,166	356,925	1,239	22,591	6,411
<i>Outflow</i>		(408,360)	(362,895)	(3,094)	(30,496)	(11,875)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. FINANCIAL RISK MANAGEMENT (Continued)

10e. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at year end. The Fund is therefore subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market price of the financial instruments in which the Fund invests.

The Fund enters into forward exchange contracts designed to economically hedge the foreign exposure of the underlying investments. The Fund is to be economically hedged to New Zealand dollars between 95% and 105%.

The currency risk disclosures have been prepared on the basis of the Fund's direct investments.

The table below summarises the Fund's exposure to currency risk in New Zealand dollar value of the financial instruments.

	2018						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	36	(23)	149	156	6	3,289	152
Investment securities held at fair value through profit or loss	2,269	7,641	26,256	16,070	20,176	76,471	17,383
Derivatives held for trading	(853)	(7,648)	(30,295)	(12,215)	(19,822)	(97,991)	(2,394)
Receivables/(payables)	5	42	509	(665)	-	494	206
Total financial assets and liabilities	1,457	12	(3,381)	3,346	360	(17,737)	15,347

	2017						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	125	62	456	379	167	4,015	97
Investment securities held at fair value through profit or loss	717	4,198	14,391	10,373	22,746	67,522	13,150
Derivatives held for trading	(1,137)	(4,240)	(14,832)	(10,033)	(22,989)	(71,736)	(10,004)
Receivables/(payables)	(232)	40	(1,118)	(2,007)	1	10	(606)
Total financial assets and liabilities	(527)	60	(1,103)	(1,288)	(75)	(189)	2,637

The table below summarises the sensitivity analysis in NZD currency to an increase or decrease in the exchange rate with all other variables remaining constant, where the Fund has significant currency risk exposure, based on an assumed increase/decrease by the percentage disclosed in the table.

	2018		2017	
	Profit or loss and Unitholders' Funds		Profit or loss and Unit Holders' Funds	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Assets and liabilities				
Foreign currency cash balances held (NZD)	(376)	376	(530)	530
Investment securities held at fair value through profit or loss	(16,627)	16,627	(13,310)	13,310
Derivatives held for trading	17,122	(17,122)	13,497	(13,497)
Receivables/(payables)	(59)	59	391	(391)
	60	(60)	48	(48)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. FINANCIAL RISK MANAGEMENT (Continued)

10f. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The following table presents the recognised derivatives that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2018 and 31 March 2017.

	2018					
						Related amounts not set-off in the statement of financial position
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total derivative assets	4,992	-	4,992	(1,681)	-	3,311
Total derivative liabilities	(6,329)	-	(6,329)	1,681	-	(4,648)

	2017					
						Related amounts not set-off in the statement of financial position
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total derivative assets	2,571	-	2,571	(2,424)	-	147
Total derivative liabilities	(6,511)	-	(6,511)	2,424	-	(4,087)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

11. SEGMENT INFORMATION

The table below analyses the Fund's interest income grouped by geographical location.

	2018	2017
	\$'000	\$'000
United Kingdom	326	(17)
Euro Zone	669	625
United States of America (USA)	2,189	1,836
Americas (excluding USA)	206	(105)
Other	37	88
	<u>3,427</u>	<u>2,427</u>

12. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

13. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

GLOBAL BOND FUND



Independent Auditor's Report

To the unitholders of Global Bond Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Global Bond Fund (the fund) on pages 3 to 23:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,779,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

GLOBAL BOND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 93.4% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise bonds or other simple fixed interest instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing a sample of the 31 March 2018 valuations of listed fixed interest instruments to externally quoted prices and unlisted fixed interest investments to broker quotes. Where externally quoted prices or broker quotes are not available we applied valuation methods using observable market interest rates to assess the valuation
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

GLOBAL BOND FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	100	40.00%	43,767	0.08%
1,001-5,000	87	34.80%	203,864	0.37%
5,001-10,000	23	9.20%	167,623	0.31%
10,001-50,000	32	12.80%	629,665	1.15%
50,001-100,000	3	1.20%	227,205	0.41%
Greater than 100,000	5	2.00%	53,554,355	97.68%
TOTAL	250	100.00%	54,826,479	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	46,765,599	85.30%
FNZ Custodians Limited	5,126,128	9.35%
Bnp Paribas Nominees NZ Limited	1,100,825	2.01%
Investment Custodial Services Limited	361,440	0.66%
Rosalie Barnes	120,562	0.22%
Izak Andries Delpoort Van Blerk & Petronella Erendina Van Blerk	95,940	0.17%
Tea Custodians Limited	79,801	0.15%
Custodial Services Limited	68,368	0.12%
Somsmith Nominees Limited	62,897	0.11%
Maryanne Nola Gane & Marcia Clare Jasmine Fullam	47,455	0.09%
Forsyth Barr Custodians Limited	46,650	0.09%
David Alan Shackleton & Scott Francis Whitaker	41,470	0.08%
Robyn Elizabeth Taylor	32,614	0.06%
Jonathan Schwass & Ann Howarth	28,665	0.05%
William John Duff Eaton	26,600	0.05%
Anthony Smith & Barbara Smith	25,754	0.05%
Brendan Dennis Catchpole & Connie Yvonne Catchpole & Anthony Raymond Wentworth	24,800	0.05%
John Huthwaite Ronaldson & Marian Elizabeth Ronaldson & Franklin Trustee Services Ltd	21,800	0.04%
Kenneth Drayton & Michael Grey Glen	21,319	0.04%
Billy Cheung Services Limited	20,318	0.04%
	54,119,005	98.73%

NZ Bond Fund (NZB)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

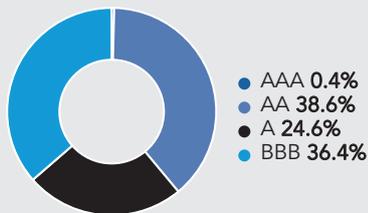
Presented by Smartshares Limited, Manager of the NZ Bond Fund

Report to Unitholders HIGHLIGHTS

Launch Date 12-Nov-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$3.025	\$2.986
Units On Issue	70,008,573	67,933,573
Funds Under Management	\$211,755,631	\$202,869,711
Gross Return	4.89%	3.18%
Duration	3.39	3.65
Yield to Maturity	3.46%	3.96%
Average Rating	A	A
Total Fund Charges	0.54%	0.54%
Distributions paid	Quarterly	

Credit Allocation



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

NZ BOND FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)

Guy R. Elliffe

A. John Williams

Paul J. Baldwin

Mark J. Peterson (appointed 27 October 2017)

AUDITOR

KPMG

10 Customhouse Quay

PO Box 996, Wellington 6140

New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust

Level 5, 40-42 Queens Drive

Lower Hutt 5010, Wellington

New Zealand

INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited

Level 9, Vero Centre, 48 Shortland Street

Auckland, 1010

New Zealand

SOLICITOR

Buddle Findlay

Level 17, State Insurance Tower

1 Willis Street, Wellington 6140

New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ BOND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Bond Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:

Smartshares Limited

.....
Director

.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Dividend income		-	20
Interest income		9,480	9,509
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		3,094	(2,848)
Other income		11	109
Total income		<u>12,585</u>	<u>6,790</u>
EXPENSES			
Management fees expense	7	(1,119)	(1,095)
Miscellaneous expenses		(1)	(1)
Total expenses		<u>(1,120)</u>	<u>(1,096)</u>
Profit before tax		11,465	5,694
Income tax expense	1	(3,210)	(1,588)
Profit after tax		8,255	4,106
Other comprehensive income		-	-
Total comprehensive income		<u>8,255</u>	<u>4,106</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u>11.95</u>	<u>6.11</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		202,887	199,510
Total comprehensive income for the year		<u>8,255</u>	<u>4,106</u>
Subscriptions from unitholders	5	6,258	5,110
Distributions to unitholders	4	<u>(5,608)</u>	<u>(5,839)</u>
		<u>650</u>	<u>(729)</u>
Unitholders' funds at the end of the year		<u><u>211,792</u></u>	<u><u>202,887</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash at banks		540	1,597
Receivables		2,152	2,084
Investment securities held at fair value through profit or loss		211,383	199,227
Taxation receivable		-	121
Unsettled sales of investments		-	4,401
TOTAL ASSETS		<u>214,075</u>	<u>207,430</u>
LIABILITIES			
Management fees payable	7	(9)	(9)
Taxation payable		(2,226)	-
Distribution payable to unitholders		(2)	(3)
Funds held for unit purchases		(45)	(29)
Unsettled purchase of investments		-	(4,500)
Other current liabilities	7	<u>(1)</u>	<u>(2)</u>
TOTAL LIABILITIES		<u>(2,283)</u>	<u>(4,543)</u>
UNITHOLDERS' FUNDS		<u>211,792</u>	<u>202,887</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>214,075</u>	<u>207,430</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	-	20
Interest income received	9,412	9,691
Other income received	11	109
<i>Cash was applied to:</i>		
Management fees paid	(1,119)	(1,178)
Taxation paid	(863)	(3,000)
Miscellaneous expenses paid	(1)	(1)
Net cash flows from operating activities	<u>7,440</u>	<u>5,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	76,224	69,005
Net repayments from the Manager	-	2
<i>Cash was applied to:</i>		
Purchase of investments	(85,385)	(72,914)
Net repayments to the Manager	(1)	-
Net cash flows from investing activities	<u>(9,162)</u>	<u>(3,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	6,274	5,135
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(5,609)	(7,616)
Net cash flows from financing activities	<u>665</u>	<u>(2,481)</u>
Net decrease in cash and cash equivalents	(1,057)	(747)
Cash and cash equivalents at the beginning of the year	<u>1,597</u>	<u>2,344</u>
Cash and cash equivalents at the end of the year	<u>540</u>	<u>1,597</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	8,255	4,106
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	(3,094)	2,848
Decrease/(increase) in taxation receivable	121	(121)
Increase/(decrease) in taxation payable	2,226	(1,328)
Decrease in deferred tax asset receivable	-	37
Decrease in management fees payable	-	(83)
(Increase)/decrease in receivables	(68)	182
Net cash flows from operating activities	<u>7,440</u>	<u>5,641</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Bond Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operations on 6 November 2015.

The Fund's units are quoted on the NZX Main Board. The Fund holds a portfolio of fixed and floating income securities. It is an investment fund that aims to outperform the S&P/NZX A-Grade Corporate Bond Index (the 'Index') over a rolling three year period. As prescribed by the Trust Deed, the Fund can invest in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Dividends

Dividend income is recognised when the right to receive payment is established.

(b) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(c) Changes in fair value of financial assets and financial liabilities

Changes in financial assets and financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include dividend and interest income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those held at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments designated for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short-term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

(ii) Financial assets designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not use short sales, but can use these as part of spread trades, hedging transactions or income-enhancing strategies.

(b) Recognition, derecognition and measurement

Purchases and sales of investments (including derivatives) are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets and financial liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(c) Fair value determination

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and counterparty.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the distributions are on the last business day of February, May, August and November in each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest and gains and losses from its investments in securities after the deduction of management fees and other deductible expenses. The Fund pays tax to cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax ('GST')

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand marketable and debt securities. The Fund receives all of its income from its investments.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund has not adopted these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are interest income and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(3,210)	(1,551)
Deferred tax movement	-	(37)
Total tax expense	<u>(3,210)</u>	<u>(1,588)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	2018	2017
	\$'000	\$'000
Profit before tax	<u>11,465</u>	<u>5,694</u>
Income tax using the statutory income tax rate 28%	(3,210)	(1,594)
Net changes in fair value of financial assets and financial liabilities	-	-
Non taxable income	-	-
Gross up of imputation credits	<u>-</u>	<u>(2)</u>
	(3,210)	(1,596)
Less imputation credits and other tax credits	<u>-</u>	<u>8</u>
Income tax expense as per Statement of Comprehensive Income	<u>(3,210)</u>	<u>(1,588)</u>

Deferred tax

	2018	2017
	\$'000	\$'000
Opening balance	-	37
Current period movement	<u>-</u>	<u>(37)</u>
Closing balance	<u>-</u>	<u>-</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	2,120	738

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of fixed interest securities at the reporting date are based on binding dealer price quotations and are categorised as level 2 in the hierarchy. There were no transfers between levels in the year ended 31 March 2018 (2017: none)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	8,255	4,106
Weighted average number of units ('000)	<u>69,086</u>	<u>67,178</u>
Basic and diluted earnings per unit (cents per unit)	<u>11.95</u>	<u>6.11</u>

4. DISTRIBUTION PAYABLE TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	1.61	-	1,076
September 2016 (paid October 2016)	31/03/2017	1.97	-	1,319
November 2016 (paid December 2016)	31/03/2017	2.14	-	1,449
February 2017 (paid March 2017)	31/03/2017	2.95	-	1,995
May 2017 (Paid June 2017)	31/03/2018	2.22	1,525	-
August 2017 (Paid September 2017)	31/03/2018	1.65	1,133	-
November 2017 (paid December 2017)	31/03/2018	2.23	1,546	-
February 2018 (paid March 2018)	31/03/2018	2.01	<u>1,404</u>	<u>-</u>
			<u>5,608</u>	<u>5,839</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 70,009,000 units on issue (2017: 67,934,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 2,075,000 (2017: 1,690,000) for total value of \$6,258,000 (2017: \$5,110,000)

The number of units redeemed during the year ended 31 March 2018 was nil (2017: nil) for total value of \$nil (2017: \$5,110,000)

	2018	2017
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	67,934	66,244
Subscriptions received during the year	<u>2,075</u>	<u>1,690</u>
Units on issue at the end of the year	<u>70,009</u>	<u>67,934</u>

The net asset value of each unit per the financial statements is \$3.02521 (2017: \$2.98653). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. MATURITY ANALYSIS

The Fund invests in interest-bearing assets and other New Zealand bond investments.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	2018			2017		
	Within 12 months \$'000	Over 12 months \$'000	Total \$'000	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS						
Cash at banks	540	-	540	1,597	-	1,597
Receivables	2,152	-	2,152	2,084	-	2,084
Investment securities held at fair value through profit or loss	6,299	205,084	211,383	12,366	186,861	199,227
Taxation receivable	-	-	-	121	-	121
Unsettled sales of investments	-	-	-	4,401	-	4,401
Total assets	8,991	205,084	214,075	20,569	186,861	207,430
LIABILITIES						
Management fees payable	(9)	-	(9)	(9)	-	(9)
Taxation payable	(2,226)	-	(2,226)	-	-	-
Distribution payable to unitholders	(2)	-	(2)	(3)	-	(3)
Funds held for unit purchases	(45)	-	(45)	(29)	-	(29)
Unsettled purchase of investments	-	-	-	(4,500)	-	(4,500)
Other current liabilities	(1)	-	(1)	(2)	-	(2)
Total liabilities	(2,283)	-	(2,283)	(4,543)	-	(4,543)

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 65,965,638 units (2017: 65,955,132) valued at \$199,527,000 (2017: \$196,962,000) in the Fund.

Distributions

The Fund paid distributions of \$5,351,000 to SLI for the year ended 31 March 2018 (2017: \$3,357,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. RELATED PARTY TRANSACTIONS (Continued)

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, investment manager, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash held for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$1,119,000 (2017: \$1,095,000), with \$9,000 (2017: \$9,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2018, total direct purchase application fees amounted to \$2,000 (2017: \$2,000).

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$7,000 (2017: \$nil).

Other related party transactions

As at 31 March 2018 the Fund had a payable to the Manager of \$1,000 (2017: \$2,000).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2018	2017
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash at banks	540	1,597
Receivables	2,152	2,084
Unsettled sales of investments	-	4,401
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>		
Investment securities held at fair value through profit or loss	211,383	199,227
<i><u>Other financial liabilities</u></i>		
Management fees payable	(9)	(9)
Distribution payable to unitholders	(2)	(3)
Funds held for unit purchases	(45)	(29)
Unsettled purchase of investments	-	(4,500)
Other current liabilities	(1)	(2)

The Fund's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. FINANCIAL RISK MANAGEMENT (Continued)

8a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities).

The Fund holds interest-bearing financial assets and liabilities - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2018					Total \$'000
	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS						
Cash at banks	540	-	-	-	-	540
Investment securities held at fair value through profit or loss	<u>6,299</u>	<u>-</u>	<u>17,366</u>	<u>147,487</u>	<u>40,231</u>	<u>211,383</u>
Total financial assets subject to interest rate risk	<u>6,839</u>	<u>-</u>	<u>17,366</u>	<u>147,487</u>	<u>40,231</u>	<u>211,923</u>

	2017					Total \$'000
	Within 6 months	Between 6- 12 months	Between 1-2 years	Between 2-5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS						
Cash at banks	1,597	-	-	-	-	1,597
Investment securities held at fair value through profit or loss	<u>2,075</u>	<u>10,290</u>	<u>10,469</u>	<u>112,186</u>	<u>64,207</u>	<u>199,227</u>
Total financial assets subject to interest rate risk	<u>3,672</u>	<u>10,290</u>	<u>10,469</u>	<u>112,186</u>	<u>64,207</u>	<u>200,824</u>

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rate with all other variables remaining constant. The analysis is performed on the same basis for 31 March 2017. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rate on:

- 1) The interest income for the period based on floating rate financial assets held at 31 March 2018.
- 2) Changes in fair value of financial assets for the period based on revaluing fixed rate financial assets at 31 March 2018.

	2018			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	5	(5)	-	-
Investment securities held at fair value through profit or loss	27	(27)	(7,225)	7,587

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. FINANCIAL RISK MANAGEMENT (Continued)

	2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	16	(16)	-	-
Investment securities held at fair value through profit or loss	132	(132)	(7,090)	7,608

8b. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest credit rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	2018				
	AAA to AA-	A+ to A-	BBB+ to BBB-	Less than BBB-	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
NZ bank bills	1,168	-	-	-	1,168
NZ government and local government bonds	27,109	-	-	-	27,109
NZ corporate bonds	53,760	51,916	77,430	-	183,106
	<u>82,037</u>	<u>51,916</u>	<u>77,430</u>	<u>-</u>	<u>211,383</u>

	2017				
	AAA to AA-	A+ to A-	BBB+ to BBB-	Less than BBB-	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
NZ bank bills	-	507	-	-	507
NZ government and local government bonds	27,141	-	-	-	27,141
NZ corporate bonds	56,314	39,722	69,603	5,940	171,579
	<u>83,455</u>	<u>40,229</u>	<u>69,603</u>	<u>5,940</u>	<u>199,227</u>

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrowers, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance excluding bank overdraft with each bank above at the reporting date.

	2018		2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	46	AA-	31	AA-
Westpac	494	AA-	1,566	AA-
	<u>540</u>		<u>1,597</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is able to generate sufficient cash on a timely basis to meet its financial commitments and normal level of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ BOND FUND



Independent Auditor's Report

To the unitholders of NZ Bond Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Bond Fund (the fund) on pages 3 to 17:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$2,141,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ BOND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund’s portfolio of investments makes up 98.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise bonds or other simple fixed interest instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing a sample of the 31 March 2018 valuations of listed fixed interest instruments to externally quoted prices and unlisted fixed interest investments to broker quotes. Where externally quoted prices or broker quotes are not available we applied valuation methods using observable market interest rates to assess the valuation
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity’s Annual Report. Other information may include the Chairman’s report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor’s Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ BOND FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1000	116	39.06%	45,388	0.06%
1001-5000	94	31.65%	216,365	0.31%
5001-10000	33	11.11%	231,478	0.33%
10001-50000	41	13.80%	756,233	1.07%
50001-100000	2	0.67%	153,086	0.22%
Greater than 100000	11	3.70%	69,061,023	98.01%
TOTAL	297	100.00%	70,463,573	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	65,835,638	93.43%
Bnp Paribas Nominees NZ Limited	597,014	0.85%
Gary Anthony Vink & Jane Margaret Vink	542,667	0.77%
James Mc Daniel Thomas & Teri Jo Thomas	427,551	0.61%
Sharesies Nominee Limited	335,371	0.48%
FNZ Custodians Limited	316,153	0.45%
Investment Custodial Services Limited	303,652	0.43%
FNZ Custodians Limited	228,491	0.32%
Citibank Nominees (Nz) Ltd	130,800	0.19%
Forsyth Barr Custodians Limited	121,568	0.17%
Terence Murray Fleming & Jane Michelle Fleming & Sw Trust Services (Ten) Ltd	102,715	0.15%
Cameron Ure & Anne Lesley Ure & Vallant Hooker Trustees Ltd	100,133	0.14%
Izak Andries Delpont Van Blerk & Petronella Erendina Van Blerk	99,402	0.14%
Ajd Family Nominees Limited	53,684	0.08%
Philip Ralph Smith & Wendy Carol Anne Marjorie & D A & C Trustee Services Limited	45,366	0.06%
Craigs Investment Partners Limited	38,190	0.05%
Robyn Elizabeth Taylor	34,170	0.05%
Benjamin David Bonoma & Sarah Victoria Bonoma	33,465	0.05%
Investment Custodial Services Limited	33,298	0.05%
Custodial Services Limited	32,600	0.05%
	69,411,928	98.52%

NZ Cash Fund (NZC)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

Presented by Smartshares Limited, Manager of the NZ Cash Fund

Report to Unitholders

HIGHLIGHTS

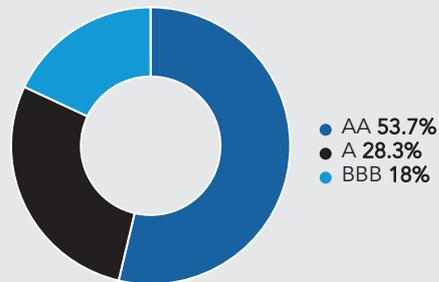
Launch Date 12-Nov-15

	March 2018	March 2017
Net Tangible Assets (NTA)	\$2.986	\$2.991
Units On Issue	38,923,936	41,973,936
Funds Under Management	\$116,231,933	\$125,553,553
Gross Return	2.59%	2.77%
Average Rating	A+	AA-
Total Fund Charges	0.33%	0.33%
Distributions paid	Quarterly	

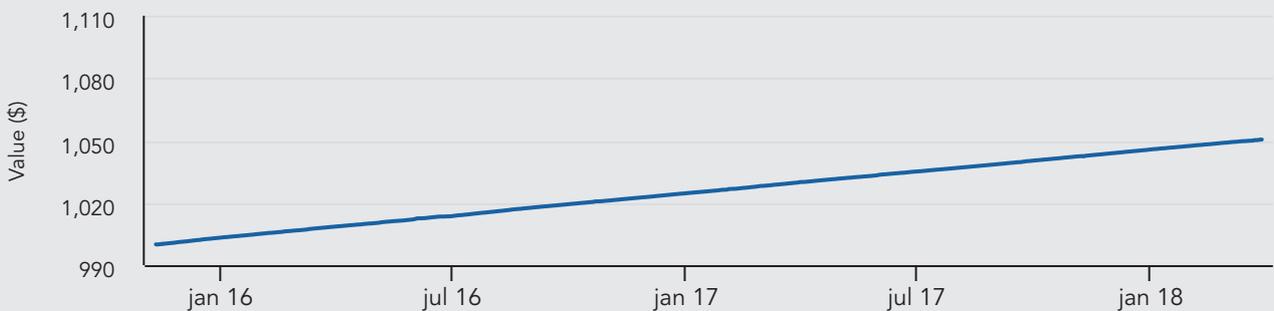
Sector Allocation



Credit Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

NZ CASH FUND

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)

Guy R. Elliffe

A. John Williams

Paul J. Baldwin

Mark J. Peterson (appointed 27 October 2017)

AUDITOR

KPMG

10 Customhouse Quay

PO Box 996, Wellington 6140

New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

SUPERVISOR

Public Trust

Level 5, 40-42 Queens Street

Lower Hutt 5010, Wellington

New Zealand

INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited

Level 9, Vero Centre, 48 Shortland Street,

Auckland 1010

New Zealand

SOLICITOR

Buddle Findlay

Level 17, State Insurance Tower

1 Willis Street, Wellington 6140

New Zealand

REGISTRAR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ CASH FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Cash Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2018, and the results of its financial performance and cash flows for the year ended 31 March 2018 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 24 May 2018.

NZ CASH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$'000	2017 \$'000
INCOME			
Interest income		3,965	4,373
Net changes in fair value of financial assets at fair value through profit or loss		<u>(136)</u>	<u>(318)</u>
Total income		<u>3,829</u>	<u>4,055</u>
EXPENSES			
Management fees expense	7	(406)	(414)
Miscellaneous expenses		<u>-</u>	<u>(1)</u>
Total expenses		<u>(406)</u>	<u>(415)</u>
Profit before tax		3,423	3,640
Income tax expense	1	<u>(958)</u>	<u>(1,019)</u>
Profit after tax		2,465	2,621
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>2,465</u></u>	<u><u>2,621</u></u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	3	<u><u>5.97</u></u>	<u><u>6.26</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 \$'000	2017 \$'000
Unitholders' funds at the beginning of the year		<u>125,538</u>	<u>125,204</u>
Total comprehensive income for the year		<u>2,465</u>	<u>2,621</u>
Subscriptions from unitholders	5	730	449
Redemptions by unitholders	5	(9,850)	-
Distributions to unitholders	4	<u>(2,637)</u>	<u>(2,736)</u>
		<u>(11,757)</u>	<u>(2,287)</u>
Unitholders' funds at the end of the year		<u><u>116,246</u></u>	<u><u>125,538</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	As At 31 March 2018 \$'000	As At 31 March 2017 \$'000
ASSETS			
Cash and cash equivalents		1,028	1,307
Receivables		283	423
Investment securities held at fair value through profit or loss		56,845	64,375
Bank term deposits		<u>58,737</u>	<u>59,774</u>
TOTAL ASSETS		<u>116,893</u>	<u>125,879</u>
LIABILITIES			
Management fees payable	7	(3)	(3)
Taxation payable		(635)	(336)
Funds held for unit purchases		(8)	(1)
Other current liabilities		<u>(1)</u>	<u>(1)</u>
TOTAL LIABILITIES		<u>(647)</u>	<u>(341)</u>
UNITHOLDERS' FUNDS		<u>116,246</u>	<u>125,538</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>116,893</u>	<u>125,879</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 24 May 2018.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Interest income received	3,898	4,255
<i>Cash was applied to:</i>		
Management fees paid	(406)	(446)
Taxation paid	(659)	(863)
Miscellaneous expenses paid	-	(1)
Net cash flows from operating activities	<u>2,833</u>	<u>2,945</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	182,603	178,408
Net repayments from the Manager	-	1
<i>Cash was applied to:</i>		
Purchase of investments	(173,965)	(179,814)
Net cash flows from investing activities	<u>8,638</u>	<u>(1,405)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	737	490
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(9,850)	-
Distributions paid to unitholders	(2,637)	(3,865)
Net cash flows from financing activities	<u>(11,750)</u>	<u>(3,375)</u>
Net decrease in cash and cash equivalents	(279)	(1,835)
Cash and cash equivalents at the beginning of the year	<u>1,307</u>	<u>3,142</u>
Cash and cash equivalents at the end of the year	<u>1,028</u>	<u>1,307</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	2,465	2,621
Net changes in fair value of financial assets at fair value through profit or loss	136	318
Increase in accrued interest on term deposits	(207)	(19)
Increase in taxation payable	299	156
Decrease in management fees payable	-	(32)
Decrease/(increase) in receivables	140	(99)
Net cash flows from operating activities	<u>2,833</u>	<u>2,945</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

GENERAL INFORMATION

The NZ Cash Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operation on 6 November 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the S&P/NZX 90-Day Bank Bill Index (the 'Index') over a rolling one-year period. As prescribed by the Trust Deed, the Fund invests in short-term interest-bearing assets and other cash and cash equivalent investments of all types represented in the Index and any other investments that are consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(b) Changes in fair value of financial assets

Changes in financial assets at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments as financial assets at fair value through profit or loss. These financial assets are designated at fair value through profit or loss at inception.

The Fund classifies its underlying investments in bank term deposits as loans and receivables. Financial assets classified as loans and receivables are those with fixed or determinable payments that are not quoted in an active market.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

(b) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(c) Recognition, derecognition and measurement

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

Loans and receivables are recognised when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

Loans and receivables are recognised at fair value including directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method less an allowance for impairment where there is objective evidence that an impairment loss on the loans and receivables has been incurred.

(d) Fair value determination

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments not falling within the definition of cash. Financing activities are those activities that relate to cash contributions, withdrawals and distributions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are on the last business days of February, May, August and November of each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest and gains and losses from its investments in securities after the deduction of management fees and other deductible expenses. The Fund pays tax to cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax ('GST')

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand short-term interest-bearing securities and other cash and cash equivalent investments. The Fund receives all of its income from its investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2018, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

NZ IFRS 9: Financial Instruments

NZ IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt business instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Fund's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Fund's financial statements.

NZ IFRS 15: Revenue from contracts with customers

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The new standard provides a five step model to be applied to all contracts with customers when determining when to recognise revenue, and at what amount. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund's main sources of revenue are interest income and gains on financial instruments measured at fair value through profit or loss. As all of these are outside the scope of the new standard, the adoption of NZ IFRS 15 is not expected to have a material impact on the Fund's financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

1. TAXATION

	2018	2017
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(958)</u>	<u>(1,019)</u>
Total tax expense	<u>(958)</u>	<u>(1,019)</u>

The prima facie income tax expense on profit before tax reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2018	2017
	\$'000	\$'000
Profit before tax	<u>3,423</u>	<u>3,640</u>
Income tax using the statutory income tax rate 28%	(958)	(1,019)
Net changes in fair value of financial assets	-	-
Non taxable income	<u>-</u>	<u>-</u>
	-	-
Income tax expense as per Statement of Comprehensive Income	<u>(958)</u>	<u>(1,019)</u>

Imputation credit account (ICA)

	2018	2017
	\$'000	\$'000
Imputation credits available for use in subsequent periods	635	403

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of bank term deposits with maturities of up to twelve months is deemed to be equivalent to the face value plus accrued interest and have been categorised as level 2 in the hierarchy.

The fair value of fixed interest securities are based on binding dealer price quotations and have been categorised as level 2 in the hierarchy.

There were no transfers between levels in the year ended 31 March 2018 (2017: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

3. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2018	2017
Profit after tax (\$'000)	2,465	2,621
Weighted average number of units ('000)	<u>41,263</u>	<u>41,866</u>
Basic and diluted earnings per unit (cents per unit)	<u>5.97</u>	<u>6.26</u>

4. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2018 \$'000	2017 \$'000
June 2016 (paid July 2016)	31/03/2017	1.80	-	751
September 2016 (paid October 2016)	31/03/2017	1.85	-	773
November 2016 (paid December 2016)	31/03/2017	1.21	-	506
February 2017 (paid March 2017)	31/03/2017	1.68	-	706
May 2017 (paid June 2017)	31/03/2018	1.62	679	-
August 2017 (paid September 2017)	31/03/2018	1.60	672	-
November 2017 (paid December 2017)	31/03/2018	1.56	658	-
February 2018 (paid March 2018)	31/03/2018	1.62	<u>628</u>	<u>-</u>
			<u>2,637</u>	<u>2,736</u>

5. UNITHOLDERS' FUNDS

As at 31 March 2018 there were 38,924,000 units on issue (2017: 41,974,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2018 was 245,000 (2017: 150,000) for total value of \$730,000 (2017: \$449,000).

The number of units redeemed during the year ended 31 March 2018 was 3,295,000 (2017: nil) for total value of \$9,850,000 (2017: \$nil).

	2018 '000	2017 '000
Movement in the number of units		
Balance at the beginning of the year	41,974	41,824
Subscriptions received during the year	245	150
Redemptions made during the year	<u>(3,295)</u>	<u>-</u>
Units on issue at the end of the year	<u>38,924</u>	<u>41,974</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5. UNITHOLDERS' FUNDS (Continued)

The net asset value of each unit per the financial statements is \$2.98649 (2017: \$2.99085). Any difference between the net asset value announced to the market for 29 March 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

6. MATURITY ANALYSIS

The Fund invests in short-term interest-bearing assets and other cash and cash equivalent investments.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	2018			2017		
	Within 12 months	Over 12 months	Total	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash and cash equivalents	1,028	-	1,028	1,307	-	1,307
Receivables	283	-	283	423	-	423
Investment securities held at fair value through profit or loss	28,485	28,360	56,845	31,678	32,697	64,375
Bank term deposits	58,737	-	58,737	59,774	-	59,774
Total assets	88,533	28,360	116,893	93,182	32,697	125,879
LIABILITIES						
Management fees payable	(3)	-	(3)	(3)	-	(3)
Taxation payable	(635)	-	(635)	(336)	-	(336)
Funds held for unit purchases	(8)	-	(8)	(1)	-	(1)
Other current liabilities	(1)	-	(1)	(1)	-	(1)
Total liabilities	(647)	-	(647)	(341)	-	(341)

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ('SLI'), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited, held 38,542,636 (2017: 41,753,936) units valued at \$115,093,000 (2017: \$124,896,000) in the Fund.

Distributions

The Fund paid distributions of \$2,618,000 to SLI for the year ended 31 March 2018 (2017: \$1,207,000). The balance remaining as payable at the end of the year is \$nil (2017: \$nil).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

7. RELATED PARTY TRANSACTIONS (Continued)

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, investment manager, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash held for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the year ended 31 March 2018 amounted to \$406,000 (2017: \$414,000), with \$3,000 (2017: \$3,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2018 amounted to \$3,000 (2017: \$2,000).

For the year ended 31 March 2018, total direct purchase application fees amounted to \$nil (2017: \$nil).

Other related party transactions

As at 31 March 2018 the Fund had a payable to the Manager of \$1,000 (2017: \$1,000).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2018 was \$5,000 (2017: \$5,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2018	2017
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	1,028	1,307
Receivables	283	423
Bank term deposits	58,737	59,774
<u>Financial assets at fair value through profit and loss</u>		
Investment securities held at fair value through profit or loss	56,845	64,375
<u>Other financial liabilities</u>		
Management fees payable	(3)	(3)
Funds held for unit purchases	(8)	(1)
Other current liabilities	(1)	(1)

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2018**

8. FINANCIAL RISK MANAGEMENT (Continued)

The Fund's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

8a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities).

The Fund holds interest-bearing financial assets - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates

	2018					Total \$'000
	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS						
Cash and cash equivalents	1,028	-	-	-	-	1,028
Investment securities held at fair value through profit or loss	18,502	9,984	20,951	7,408	-	56,845
Bank term deposits	<u>40,712</u>	<u>18,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,737</u>
Total financial assets subject to interest rate risk	<u>60,242</u>	<u>28,009</u>	<u>20,951</u>	<u>7,408</u>	<u>-</u>	<u>116,610</u>

	2017					Total \$'000
	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS						
Cash and cash equivalents	1,307	-	-	-	-	1,307
Investment securities held at fair value through profit or loss	23,635	8,043	18,116	14,581	-	64,375
Bank term deposits	<u>37,183</u>	<u>22,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,774</u>
Total financial assets subject to interest rate risk	<u>62,125</u>	<u>30,634</u>	<u>18,116</u>	<u>14,581</u>	<u>-</u>	<u>125,456</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. FINANCIAL RISK MANAGEMENT (Continued)

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 31 March 2018 and 31 March 2017. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the year based on floating rate financial assets held at 31 March 2018.
- 2) Changes in fair value of financial assets for the year based on revaluing fixed rate financial assets at 31 March 2018.

	2018			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	10	(10)	-	-
Investment securities held at fair value through profit or loss	753	(753)	(23)	23

	2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	13	(13)	-	-
Investment securities held at fair value through profit or loss	468	(468)	(7)	8

8b. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest credit rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	2018			
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Total \$'000
NZ bank bills	16,629	-	-	16,629
NZ corporate bonds	15,117	14,210	10,889	40,216
NZ bank term deposits	22,682	25,913	10,142	58,737
	<u>54,428</u>	<u>40,123</u>	<u>21,031</u>	<u>115,582</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

8. FINANCIAL RISK MANAGEMENT (Continued)

	2017			Total \$'000
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	
NZ bank bills	-	14,607	-	14,607
NZ corporate bonds	19,801	22,477	7,490	49,768
NZ bank term deposits	<u>33,093</u>	<u>16,910</u>	<u>9,771</u>	<u>59,774</u>
	<u>52,894</u>	<u>53,994</u>	<u>17,261</u>	<u>124,149</u>

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2018		2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	9	AA-	5	AA-
Westpac	<u>1,019</u>	AA-	<u>1,302</u>	AA-
	<u>1,028</u>		<u>1,307</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is able to generate sufficient cash on a timely basis to meet its financial commitments and normal levels of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2018 (2017: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2018 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ CASH FUND



Independent Auditor's Report

To the unitholders of NZ Cash Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Cash Fund (the fund) on pages 3 to 17:

- i. present fairly in all material respects the fund's financial position as at 31 March 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,169,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ CASH FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

The fund's portfolio of investments makes up 98.9% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise bonds or other simple fixed interest instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing a sample of the 31 March 2018 valuations of listed fixed interest instruments to externally quoted prices and unlisted fixed interest investments to broker quotes. Where externally quoted prices or broker quotes are not available we applied valuation methods using observable market interest rates to assess the valuation
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this report, or any of the opinions we have formed.

NZ CASH FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>

This description forms part of our Independent Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG
Wellington

24 May 2018

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2018

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	22	46.81%	7,458	0.02%
1,001-5,000	11	23.40%	27,905	0.07%
5,001-10,000	5	10.64%	33,302	0.09%
10,001-50,000	6	12.77%	107,132	0.28%
50,001-100,000	2	4.26%	145,503	0.37%
Greater than 100,000	1	2.13%	38,542,636	99.17%
TOTAL	47	100.00%	38,863,936	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2018

Full Name	Total	Percentage
Superlife Nominees Limited	38,542,636	99.17%
Izak Andries Delpport Van Blerk & Petronella Erendina Van Blerk	80,503	0.21%
HSBC Nominees (New Zealand) Limited	65,000	0.17%
Craigs Investment Partners Limited	30,371	0.08%
David Georges Andre Dromer	27,273	0.07%
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	16,500	0.04%
Daniel James King	12,864	0.03%
Vicki Patricia Holmes & Kenneth Mark Holmes & NZ Trustee Services Limited	10,106	0.03%
David John Thomas	10,018	0.03%
FNZ Custodians Limited	8,956	0.02%
William Peter Stronach Tuckey	6,967	0.02%
Roger Alan Dodds	6,742	0.02%
James Punnett	5,370	0.01%
Stuart Cameron Walter Holehouse	5,267	0.01%
Alistair Ian Haslett	5,000	0.01%
Kenneth Moffett	3,429	0.01%
Theresa Rose Marie Walker	3,429	0.01%
Thomas Buettner	3,382	0.01%
Grant Neilson Mackenzie	3,092	0.01%
Claire Mary Heeran	1,944	0.01%
	38,848,849	99.97%

Corporate Governance

Smartshares Limited (**Manager**) is a wholly owned subsidiary of NZX Limited (**NZX**), and is the Issuer of the Funds within the Smartshares Exchange Traded Funds scheme (**Scheme**). The Scheme's Trust Deed contains detailed provisions governing the investment of the Scheme's property and the role of the Manager of the Funds.

The nature of the business of the Scheme is investment in a defined set of financial products as set out in the Scheme's Statement of Investment Policy and Objectives (**SIPO**). The Board oversees the business and affairs of the Manager, including monitoring compliance with the SIPO and the Manager's obligations as a licensed managed investment scheme manager under the Financial Markets Conduct Act 2013 and the Trust Deed.

The Manager is subject to the oversight of the Financial Markets Authority as regulator and Public Trust as supervisor of the Scheme. The Special Division of the NZ Markets Disciplinary Tribunal regulates the Manager as a listed issuer under the NZX Main Board Listing Rules (**Rules**).

The Directors of the Manager recognise the requirement for strong corporate governance procedures, and are committed to ensuring compliance with best practice governance principles. Given the nature of the Scheme's business and corporate structure, much of the NZX Corporate Governance Code (**Code**) set out in Appendix 16 of the Rules is not appropriate to the Manager of the Funds. This section describes the current practices of Smartshares Limited relating to corporate governance matters.

CODE OF ETHICAL BEHAVIOUR

The Manager does not have a code relating to ethical behaviour, however NZX's codes apply directly to the Manager's directors and employees. These include NZX's Code of Conduct and Financial Products Trading Policy.

Code of Conduct

The Code of Conduct sets out the standards of conduct expected of directors and employees. Training on the Code of Conduct is included as part of the induction process for new directors and employees. Employees are required to reconfirm their understanding of the Code of Conduct as part of their annual performance assessment.

Financial Products Trading Policy

The Financial Products Trading Policy sets out restrictions on the Manager's directors and employees for buying and selling financial products. These products include NZX shares, and for employees considered "Restricted People" include financial products quoted on a market operated by NZX. The policy does not restrict trading in Smartshares Exchange Traded Funds. Training on the Policy is included as part of the induction process for new directors and employees.

BOARD AND COMMITTEE COMPOSITION

As at 31 March 2018, the Board comprised four Directors, Paul Baldwin (Chair), Mark Peterson, Guy Elliffe and John Williams. Mr Baldwin and Mr Peterson are employees of NZX and are therefore not Independent Directors as defined in the Rules. Mr Elliffe and Mr Williams were appointed to the Board in November 2015 and are each Independent Directors for the purposes of the Rules.

Board Charter

In June 2016 the Manager adopted a Board Charter which sets out the Board's obligations, including responsibility for considering the Scheme's investment performance, potential conflicts of interests and related party transactions, and compliance with its legal obligations.

Appointment and Remuneration of Directors

Directors of the Manager are appointed by NZX as the sole shareholder of the Manager. The NZX Human Resources and Remuneration Committee considers the appointment and remuneration of the Manager's directors.

No director received remuneration from Smartshares Limited during the year. The Independent Directors are entitled to remuneration and other benefits from NZX. The total amount of remuneration and other benefits to which each Independent Director was entitled for the year is as listed next to their names below:

Director Remuneration

Guy Elliffe	\$30,000
John Williams	\$30,000

Audit Committee

The Board of the Manager has one standing committee, an Audit Committee, comprising Mr Elliffe (Committee Chairman), Mr Williams and Mr Baldwin. In March 2011, the Board resolved to adopt formal Audit Committee Terms of Reference, which were updated in June 2016. The Terms of Reference set out the Audit Committee's role in assisting the Board with financial reporting and audit matters, and contemplate that the Audit Committee will meet at least two times every year.

Insurance and Indemnification

NZX pays premiums in respect of directors' liability insurance. The policies do not specify a premium for individuals.

The insurance provides cover against costs and expenses involved in defending legal actions and any damages or judgments awarded or entered against the individual, settlements negotiated and any legal costs or expenses awarded against the individual arising from a liability to persons (other than the company or a related body corporate) incurred in their position as a director unless the conduct involves a wilful breach of duty, improper use of inside information or position to gain any profit or advantage or any criminal, dishonest, fraudulent or malicious acts or omissions or any knowing or wilful violation of any statute or regulation.

NZX has granted indemnities to Smartshares' Directors in relation to potential liabilities and costs they may incur for acts or omissions in their role as a director of an NZX subsidiary. Similar exclusions to those under the insurance apply.

2017/2018 BOARD AND COMMITTEE ATTENDANCE

Board

Director	Smartshares Board Attendance	
Paul Baldwin (Chair)	7/7	(Director for 7 meetings)
Guy Elliffe	7/7	(Director for 7 meetings)
John Williams	7/7	(Director for 7 meetings)
Bevan Miller ¹	3/3	(Director for 3 meetings)
Mark Peterson ²	3/4	(Director for 4 meetings)

¹ Resigned 27 October 2017
² Appointed 27 October 2017

Audit Committee

Members	Audit Committee Attendance	
Guy Elliffe (Chair)	4/4	(Member for 4 meetings)
John Williams	4/4	(Member for 4 meetings)
Bevan Miller ¹	2/2	(Member for 2 meetings)
Paul Baldwin ²	2/2	(Member for 2 meetings)

¹ Resigned 27 October 2017

² Appointed 27 October 2017

Manager Remuneration

The Manager is entitled to remuneration in respect of its management of the Funds. Information about the remuneration received by the Manager for the financial year ended March 2018 can be found in the financial statements for the Scheme as set out in this report. Services are provided to Smartshares Limited by employees of NZX.

Risk Management

The Board has overall responsibility for the Scheme's system of risk management and internal control. The Board of the Manager has procedures to identify areas of significant risk, and policies to manage those risks effectively.

Risk Register

Smartshares Limited management has developed a Risk Management Framework to identify, assess and mitigate risks. This includes a risk register detailing those risks which is shared with the Board. In 2018, the risk register is being reviewed to align to the format of the NZX Group

DIRECTORS' INTERESTS

Smartshares Limited is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

The Directors have declared interests in the entities listed below. The Directors noted are those that held office between 1 April 2017 and 31 March 2018.

Director	Interest	Entity
Paul Baldwin (Chair)	Consultant NZX Wealth Technologies Limited	NZX Wealth Technologies Limited
	Director	NZX Wealth Technologies Limited
	Director	NZXWT Nominees Limited
	Director	Hobson Wealth Nominees Limited
Bevan Miller ¹	CFO	NZX Limited
	Director	NZX Wealth Technologies Limited
Guy Elliffe	Corporate Governance Manager	Accident Compensation Corporation
John Williams	Investment Manager	Trust Investments Management Limited
Mark Peterson ²	CEO	NZX Limited
	Director	NZX Wealth Technologies Limited
	Director	New Zealand Clearing Limited
	Director	New Zealand Clearing and Depository Corporation Limited

¹ Resigned from all positions 27 October 2017

² Appointed 27 October 2017

UNITHOLDER RELATIONS

The Board recognises the importance of providing timely and comprehensive updates to unitholders, and has policies in place to ensure that unitholders are informed of all major developments affecting the Scheme.

Reporting and Disclosure

The Manager uses the NZX Funds Management Financial Reporting Procedure to ensure financial reporting is undertaken in compliance with applicable laws.

To ensure compliance with the continuous disclosure obligations found in the Rules, the Manager has a continuous disclosure policy and process which ensures that any material information is disclosed in accordance with the rules.

GENDER AND DIVERSITY

Smartshares does not currently have a Diversity Policy but will consider implementing a policy in the future. As at 31 March 2018, the gender balance of Smartshares Directors and Officers was as follows:

	Directors	Officers
Female	Nil	Nil
Male	4 (100%)	2 (100%)

As at 31 March 2017, the gender balance of Smartshares Directors and Officers was as follows:

	Directors	Officers
Female	Nil	Nil
Male	4 (100%)	2 (100%)

This report is signed by and on behalf of the Board of Smartshares Limited by:



Paul Baldwin



Guy Elliffe



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